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SOUTHEASTERN

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POWER

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ANNUAL

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REPORT

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# 2004

## FAST FACTS

Administrator: Charles A. Borchardt

Headquarters: 1166 Athens Tech Road  
Elberton, GA 30635-6711  
Telephone: 706-213-3800  
Fax: 706-213-3884  
website: <http://www.sepa.doe.gov>

Number of Employees: 42

Service Area: Georgia, Florida, Alabama, Mississippi,  
Tennessee, Kentucky, West Virginia, Virginia,  
North Carolina, South Carolina, Southern Illinois

Customers:	Electric Cooperatives.....	199
	Public Bodies .....	293
	Investor-Owned Utilities.....	3
	TOTAL .....	495

Southeastern's wholesale customers serve more than 13 million consumers

Nameplate Generating Capacity:.....3,412 mw

Financial Data: Total Revenues .....\$224 million  
(includes Corps of Engineers' revenues)

Total Capital Investment.....\$2.1 billion

Term of repayment is 50 years from on-line date of each project.

Investment Repaid in 2004 ..... \$450 million

Cumulative Investment Repaid .....\$722 million

Cumulative Interest Paid on Investment....\$1.2 billion

Power sales repay an average of 64% of the total cost of each multi-purpose project

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# 2004 LETTER TO THE SECRETARY

Dear Secretary Bodman:

I am proud to submit Southeastern Power Administration's (Southeastern's) fiscal year (FY) 2004 Annual Report. This report provides an overview of the agency's programs, accomplishments, and financial activities during this past year.

In FY 2004, Southeastern marketed more than 7.9 billion kilowatt-hours of energy to 495 wholesale customers in 11 states. Revenues from the sale of power totaled approximately \$217 million.

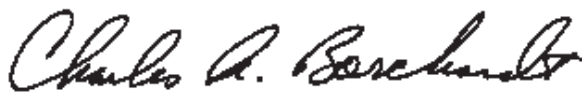
This past year, Southeastern, preference customers, and the Corps of Engineers worked diligently to develop a Memorandum of Agreement in the Georgia-Alabama-South Carolina System to fund hydropower project renewals and replacements. A separate Memorandum of Agreement continued to provide funding to the Corps for much needed project repairs in the Cumberland System in FY 2004.

Southeastern continued to adhere to all voluntary guidelines set forth by the North American Reliability Council (NERC) and the Southeastern Electric Reliability Council (SERC). A NERC Readiness review and SERC Compliance Audit was performed for Southeastern's control area in FY 2004.

In FY 2004, Southeastern joined the PJM Interconnection. Southeastern also continued to meet with preference customers and other entities to discuss its role in becoming a member of other proposed RTOs in the Southeast.

Southeastern anticipates another challenging year in the utility industry. By partnering with stakeholders, employees will continue to accomplish the goals and objectives set forth by the President's Management Agenda and the Department of Energy. As another year unfolds, we look forward to providing environmentally safe, reliable hydroelectric power to the Southeast region of the United States.

Sincerely,

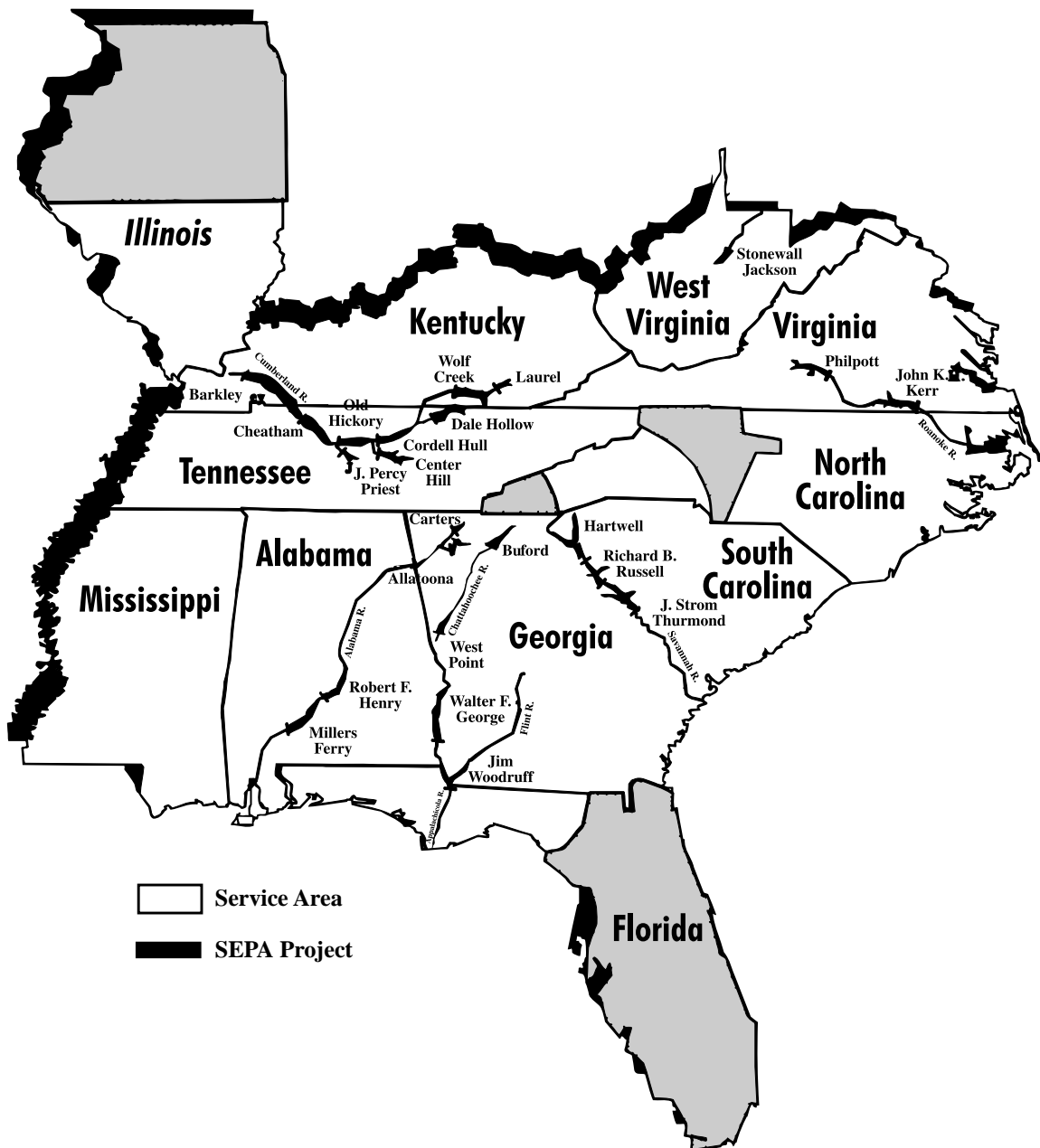


Charles A. Borchardt,

Administrator



# 2004 MARKETING AREA



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# REPORT OF ACTIVITIES

## Water Compacts

Despite significant efforts in FY 2004 on the part of the Alabama and Georgia governors and state negotiators, the Alabama-Coosa-Tallapoosa State Compact expired July 31, 2004. The states worked for several months trying to develop a mutually beneficial formula that would satisfy both water supply and downstream conditions, including provisions for possible drought situations. A plan could not be developed that would accommodate all the requirements of the basin to the satisfaction of each party. The negotiating deadline was not extended.

## Performance Management and Recognition Program

Beginning with the FY 2004 performance appraisal period, Southeastern implemented a new Performance Management and Recognition Program for all employees. This new system cascades performance expectations beginning at the Senior Executive Service level down to all other agency personnel. The program also links directly to the Strategic Plans for Southeastern and the Department of Energy (DOE).

## Workforce and Succession Planning/Management

In accordance with the President's Management Agenda, a Workforce and Succession Planning/Management document was developed for Southeastern this past year. Workforce and succession planning focuses on having well-qualified

employees in every level of the agency. Critical and key positions were identified, along with competencies and skills associated with those positions, in order to meet current and changing job requirements. Implementation of the plan ensures a highly skilled, well-qualified, diverse workforce capable of accomplishing Southeastern's mission.

## Technology Advances

During FY 2004, Southeastern continued to focus on how to better improve its information technology for better efficiency. Various computer hardware and software were updated and replaced.

This past year, Southeastern supported the DOE's Electronic Capital Planning Investment Control System by actively participating in the Enterprise Architecture Working Group. This group is responsible for maintaining the automated input within DOE's computer network.

Southeastern also continued working with the Corps of Engineers on the Supervisory Control and Data Acquisition (SCADA) interface at each hydropower project. Once SCADA installation is complete, Southeastern's interface with various other utilities will also be completed.

In FY 2004, work continued on a frame-relay data communications link with the John H. Kerr Project. Once complete, this link will permit data exchanges with both the Kerr and Philpott Projects, as well as communications with the PJM Interconnection.

Southeastern continued its participation in the Power Marketing Administration Information

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# 2004 REPORT OF ACTIVITIES

Technology Alliance (PMAITA) this past year. This group works together to collectively answer inquiries relating to the Power Marketing Administrations' computer processes. The PMAITA includes information technology personnel from the Bonneville, Southwestern, Western Area, and Southeastern Power Administrations.

## Security

Southeastern continued to develop and implement additional cyber and physical security measures in FY 2004. Special emphasis was placed on prevention of cyber security incidents by installing and updating the latest technology and providing user training on computer software.

Additional security measures are also planned for Southeastern's emergency site to ensure it meets all NERC and SERC requirements.

## Regional Transmission Organizations

In FY 2004, Southeastern began making preparations to join the PJM Interconnection, a Regional Transmission Organization (RTO). Southeastern continues to meet and discuss with preference customers its role regarding PJM membership.

## Contract Negotiations

In FY 2004, Southeastern continued discussions with Carolina Power and Light (CP&L) regarding a revised contractual arrangement which would permit customers in the CP&L service area to self-schedule their allocations of government power if they wished.

Southeastern and Virginia Electric and Power Company (VEPCO) agreed to a contract amendment, effective January 1, 2004, in order to accommodate customers wishing to self-schedule their power allocations in the VEPCO service area.

Amendments were agreed to, effective January 1, 2004, to the North Carolina Electric Membership Corporation (NCEMC) members' customer contracts in the VEPCO service area. These amendments allow members to self-schedule their allocations of government power. Preference customers in their area designated NCEMC as their scheduling agent and Southeastern negotiated a scheduling contract with NCEMC, also effective January 1, 2004.

In FY 2004, Southeastern received notices from the six Blue Ridge Power Agency members requesting return of their allocation of capacity from the Kerr-Philpott System, effective July 1, 2005. This request is contingent upon Southeastern's ability to obtain contractual arrangements for scheduling, transmission, and all other delivery services of capacity allocated to the six members.

Southeastern continues to negotiate this arrangement with the Blue Ridge Power Agency members.

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# 2004 REPORT OF ACTIVITIES

## Competitive Resource Strategies

Southeastern's Competitive Resource Strategies Program (CRS) provided a variety of energy-related services to preference customers this past year, including skill building for customer boards of directors, energy audit training, and renewable resource options for electric utilities. The CRS Program provided renewable energy presentations to customer groups that focused on the growth of renewable energy, public power marketing efforts, and the proposed Federal Renewable Energy

Portfolio Standard. Technical assistance for energy efficiency audits and energy efficiency training for utility employees were also provided this past year.

In FY 2004, CRS co-sponsored key accounts training and RTO workshops for interested customers. Key accounts training focused on the principles of effective selling, competitive operations, customer data assessments, and building productive customer response teams. The RTO workshop provided information on the status, structure, and proposed implementation schedules of RTOs and possible impacts to municipal utilities.

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# 2004 MARKETING OBJECTIVES

Southeastern Power Administration was created in 1950 by the Secretary of the Interior to carry out the functions assigned to the Secretary by the Flood Control Act of 1944. In 1977, Southeastern was transferred to the newly created Department of Energy. Headquartered in Elberton, Georgia, Southeastern markets electric power and energy in the states of West Virginia, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, and southern Illinois, from reservoir projects operated by the U.S. Army Corps of Engineers.

The objectives of Southeastern are to market the electric power and energy generated by the Federal reservoir projects and to encourage widespread use of the power at the lowest possible cost to consumers. Power rates are formulated based on sound business principles. Preference in the sale of power is given to public bodies and cooperatives, referred to as preference customers. Southeastern does not own transmission lines and must contract with other utilities to provide transmission service for the delivery of Federal power.

The responsibilities of Southeastern include the negotiation, preparation, execution, and administration of contracts for the sale of electric power; the preparation of wholesale rates and repayment studies; the provision, by construction, contract or otherwise, of transmission and related facilities to interconnect reservoir projects and to serve contractual loads; and activities pertaining to the operation of power facilities to ensure and maintain continuity of electric service to customers.

## Section 5 of the Flood Control Act of 1944

“Electric power and energy generated at reservoir projects under the control of the Department of the Army not required in the operation of such projects shall be delivered to the Secretary of Energy, who shall transmit and dispose of such power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles, the rate schedules to become effective upon confirmation and approval by the Secretary of Energy. Rate schedules shall be drawn having regard to the recovery (upon the basis of the application of such rate schedules to the capacity of the electric facilities of the projects) of the cost of producing and transmitting such electric energy, including the amortization of the capital investment allocated to power over a reasonable period of years. Preference in the sale of such power and energy shall be given to public bodies and cooperatives. The Secretary of Energy is authorized, from funds to be appropriated by Congress, to construct or acquire, by purchase or other agreement, only such transmission lines and related facilities as may be necessary in order to make the power and energy generated at said projects available in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the Federal Government, public bodies, cooperatives, and privately owned companies. All monies received from such sales shall be deposited in the Treasury of the United States as miscellaneous receipts.”

# RATES AND REPAYMENTS

One of the major responsibilities of Southeastern is to design, formulate, and justify rates. Repayment studies prepared by the agency determine revenue requirements and appropriate rate levels.

Repayment studies for each of Southeastern's four power marketing systems are updated annually and demonstrate the adequacy of the rates for each sys-

tem. Rates are considered to be adequate when revenues are sufficient to repay all costs associated with power production and transmission costs. Power production and transmission costs include the amortization of Federal investment allocated to power. An outline of the status of repayment is included in the table below.

Status of Repayment as of September 30, 2004 - Table 1

System	Initial Year of Repayment Studies	Cumulative Revenue \$	Cumulative Expenses and Interest \$	Total Investment to be Repaid \$	Investment Repaid to Date \$	Unpaid Balance Of Investment \$
Georgia- Alabama- S. Carolina	1950	2,563	2,235	1,511	328	1,183
Jim Woodruff	1957	141	116	64	25	39
Cumberland	1949	1,090	814	389	276	113
Kerr-Philpott	1953	414	321	107	93	14
TOTAL		4,208	3,486	2,071	722	1,349

(Dollars in Millions)

# 2004 GEORGIA-ALABAMA-SOUTH CAROLINA

The Georgia-Alabama-South Carolina System consists of ten projects located in Georgia, Alabama, and South Carolina. The power generated at these projects is sold to 176 preference entities that serve 204 preference customers and one investor-owned utility in Georgia, Alabama, South Carolina, North Carolina, Mississippi, and Florida.

## Generation

Generation from streamflow for FY 2004 was 82% of average. Figure A illustrates the percent of average generation by project, and Figure B shows system generation for the years 1994 through 2004.

## Financial Performance

Total revenue for the Georgia-Alabama-South Carolina System was \$148.8 million in FY 2004. Of this amount, \$142.7 million was derived from the sale of 3,116,359 megawatt-hours of energy and 2,182.4 megawatts of capacity. Total operating expenses, excluding depreciation, were \$69.2 million, interest charged to Federal investment was

\$55.7 million, and repayment of the Federal investments was \$23.9 million. Figure C shows the revenue by source for this system, and Figure D shows the application of revenues.

Table 2 indicates the allocation of costs by project function for each project in the system, and Table 3 indicates the current rates. Current rates for the Georgia-Alabama-South Carolina System were approved on a final basis by the Federal Energy Regulatory Commission (FERC) on July 15, 2003. In FY 2003, Southeastern proposed new rates to become effective October 1, 2003. These proposed rates were approved on an interim basis by the Deputy Secretary of Energy on September 26, 2003. Final approval by FERC is pending.

## Project Rehabilitation

The rehabilitation work at the J. Strom Thurmond, Walter F. George, and Buford Projects continued during FY 2004. Planning also continued for the rehabilitation of the Allatoona Project.

Cost Allocation by Project Function as of September 30, 2004 - Table 2

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
Allatoona	58,900,252	68.40	—	15.31	—	15.90	0.39 (a)
Buford	95,079,603	78.74	2.19	4.84	—	14.23	—
Carters	158,508,913	86.05	—	8.80	—	5.16	—
J. Strom Thurmond	163,429,733	88.51	2.77	2.54	—	6.18	—
Walter F. George	228,542,399	59.98	35.91	—	0.15	3.96	—
Hartwell	179,951,355	91.07	1.99	2.52	—	4.42	—
Robert F. Henry	101,824,024	63.86	23.64	—	—	12.50	—
Millers Ferry	92,643,575	58.95	35.50	—	—	5.55	—
West Point	158,591,971	41.12	1.65	13.22	9.38	34.63	—
Richard B. Russell	749,758,483	90.59	—	0.61	—	8.80	—
TOTAL-GA/AL/SC	1,987,230,308	78.56	7.64	3.11	0.77	9.91	0.01

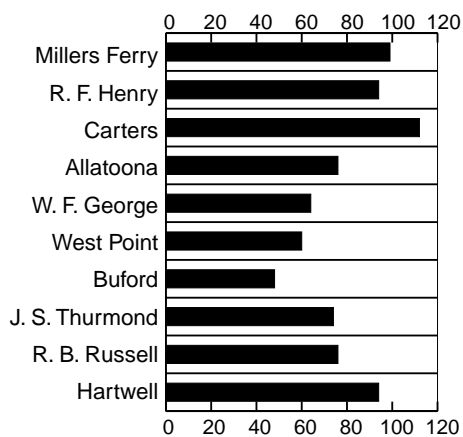
(a) water supply

# 2004 GEORGIA-ALABAMA-SOUTH CAROLINA

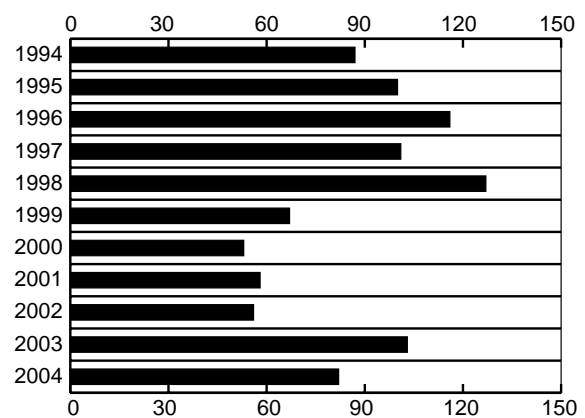
Basic Power Rate Schedule as of September 30, 2004 - Table 3

	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month	Ancillary & Generation Service
Preference Customers				
Municipal Elec. Auth. of				
Georgia & City of Dalton	3.39	8.39	—	.25
Oglethorpe Power Corp. Area	3.39	8.39	—	.12
Southern Company	3.39	8.39	1.97	.36
AEC Off System	3.39	8.39	1.97	.23
Alabama Electric Cooperative	3.39	8.39	—	.12
So. Mississippi Electric Power Assoc.	3.39	8.39	2.04	.12
So. Carolina Public Ser. Auth.	3.39	8.39	—	.12
Preference Customers -SCPSA	3.39	8.39	1.10	.12
Duke Power Area	3.39	8.39	.93	.12
So. Carolina Electric & Gas Area	3.39	8.39	1.00	.12

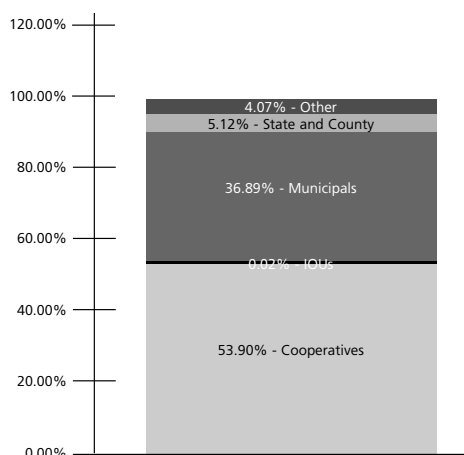
Actual Generation as a Percentage of  
Average Project Generation - Figure A



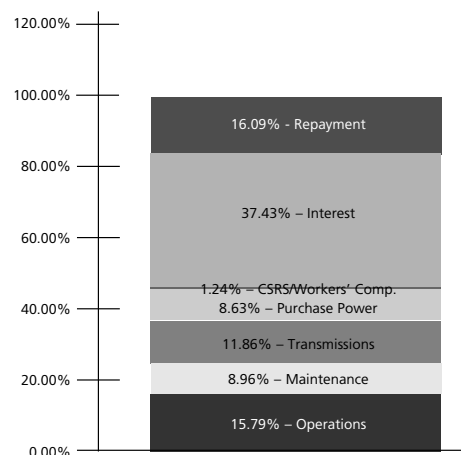
Actual Generation as a Percentage of  
Average System Generation - Figure B



FY 2004 Revenue by Source - Figure C



FY 2004 Application of Revenues - Figure D



# 2004

## KERR-PHILPOTT

The Kerr-Philpott System consists of two projects – John H. Kerr on the Roanoke River and Philpott on the Smith River. Power generated at the projects is marketed to 76 preference customers in North Carolina and Virginia.

### Generation

Generation for FY 2004 was 107% of average. Figure E illustrates the percent of average generation by project for the year. Figure F shows the system generation by year from 1994 through 2004.

### Financial Performance

Revenue from the sale of power for the Kerr-Philpott System was \$12.9 million. Total revenue was \$12.7 million which reflects a loss of \$0.2 million to the Corps of Engineers' revenue.

Approximately 483,490 megawatt hours of energy

and 196.5 megawatts of capacity were generated in FY 2004.

Total operating expenses, excluding depreciation, were \$11.6 million. Interest charged to Federal investment was \$0.5 million and repayment of the Federal investment was \$0.6 million. Figure G shows the revenue by source for the Kerr-Philpott System, and Figure H shows the application of revenues.

Table 4 indicates the allocation of costs by project function for each project in the system. Table 5 indicates the current rates. Current rates for the Kerr-Philpott System were approved on a final basis by the Federal Energy Regulatory Commission on March 6, 2002.

### Rehabilitation

Due to the lack of appropriations, major rehabilitation elements at the Kerr Dam were delayed.

Cost Allocation by Project Function as of September 30, 2004 - Table 4

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
John H. Kerr	139,176,566	77.99	–	17.75	–	3.99	0.26(a)
Philpott	20,160,008	43.96	–	40.94	–	15.10	–
TOTAL- Kerr-Philpott System	159,336,574	73.69	–	20.68	–	5.40	0.23

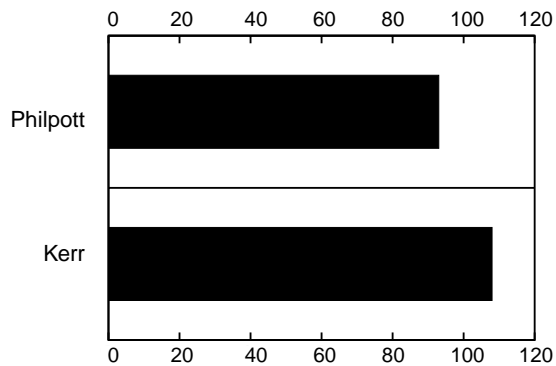
(a) water supply

Basic Power Rate Schedule as of September 30, 2004 - Table 5

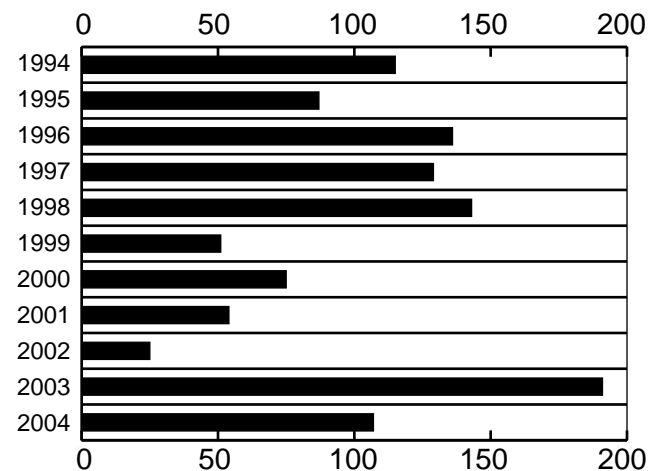
Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month	Tandem Trans. \$/KW/ Month
Virginia Power Co. Area	1.96	8.25	1.33	.63
Carolina Power & Light Co. Area	1.96	8.25	1.00	.63

# 2004 KERR-PHILPOTT

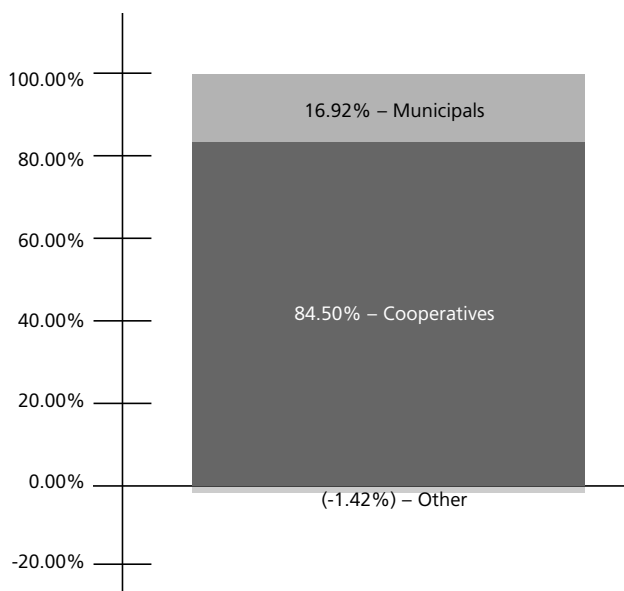
Actual Generation as a Percentage of Average Project Generation - Figure E



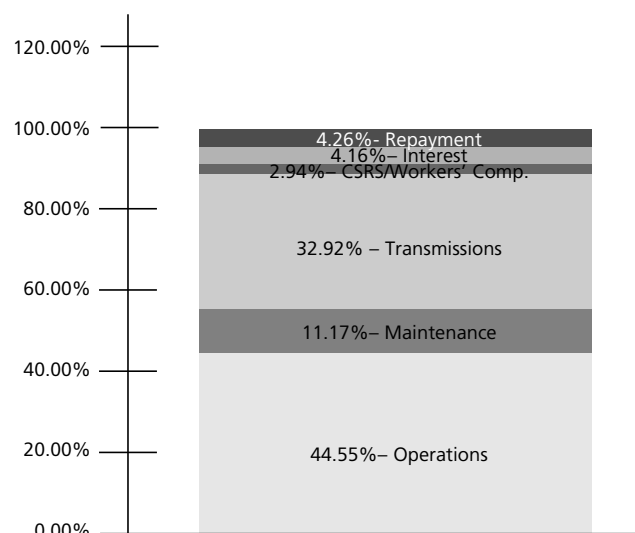
Actual Generation as a Percentage of Average System Generation - Figure F



FY 2004 Revenue by Source - Figure G



FY 2004 Application of Revenues - Figure H



# 2004 CUMBERLAND

There are ten projects in the Cumberland System located in Tennessee, Kentucky, and West Virginia. The power produced at these projects is delivered to 23 preference entities that serve 216 preference customers and one investor-owned utility in Tennessee, Kentucky, Mississippi, North Carolina, Alabama, Georgia, Virginia and southern Illinois.

## Generation

Generation for the system during FY 2004 was 136% of average. The percentage of average generation by project is shown in Figure I, and Figure J shows system generation for the years 1994 through 2004.

## Financial Performance

Total revenue for the Cumberland System was \$55.9 million. Of this amount, \$55.2 million was

derived from the sale of 4,054,926 megawatt-hours of energy and 948.3 megawatts of capacity. Total operating expenses, excluding depreciation, were \$33.3 million. Interest charged to Federal investment was \$2.9 million, and a repayment of the Federal investment was \$19.7 million. Figure K shows the revenue by source for the Cumberland System, and Figure L shows the application of revenues for this system.

Table 6 indicates the allocation of costs by project function for each project in this system, and Table 7 indicates the current rates. Current rates for the Cumberland System were approved on a final basis by the Federal Energy Regulatory Commission on August 2, 2004.

Cost Allocation by Project Function as of September 30, 2004 - Table 6

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
Barkley	198,465,677	25.16	58.62	11.62	—	4.60	—
J. Percy Priest	67,899,386	17.09	—	37.99	—	44.91	—
Cheatham	52,045,586	41.26	49.54	—	—	9.20	—
Cordell Hull	90,818,619	46.88	19.29	—	—	26.75	7.08 (b)
Old Hickory	73,934,058	55.52	36.92	—	—	7.55	—
Center Hill	80,551,355	48.50	—	36.36	—	14.27	0.86 (a)
Dale Hollow	35,597,848	57.33	—	31.10	—	11.58	—
Wolf Creek	222,917,729	58.95	—	37.35	—	3.59	0.11 (a)
Laurel	51,319,837	53.43	—	—	—	34.22	12.35 (b)
Stonewall Jackson	211,104,868	0.37	—	16.98	—	82.65	—
TOTAL- Cumberland System	1,084,654,963	35.56	17.24	19.21	—	26.73	1.26

(a) World War II Suspension Costs

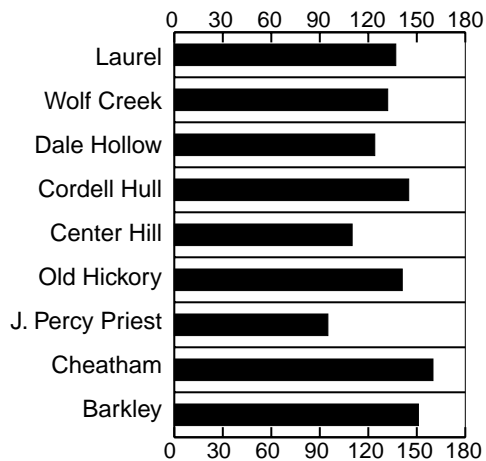
(b) Area Redevelopment

# 2004 CUMBERLAND

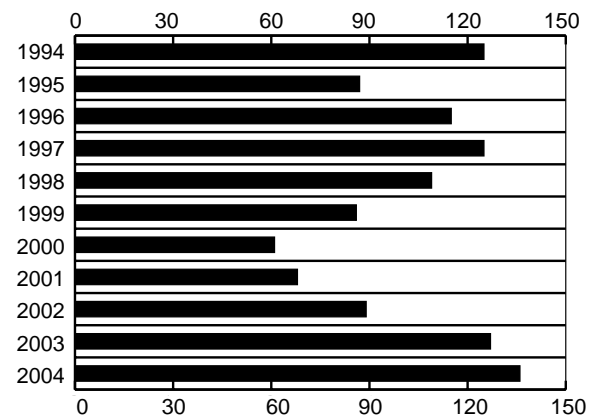
Basic Power Rate Schedule as of September 30, 2004 - Table 7

Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month
Tennessee Valley Authority	1.91	9.13	-
Carolina Power & Light Co. Area	3.84	-	1.00
Kentucky Utility Area	3.37	9.13	-
East Kentucky Power Cooperative	2.23	9.13	-
Stonewall Jackson	-	16.00	-
Other Preference Customers	3.37	-	-

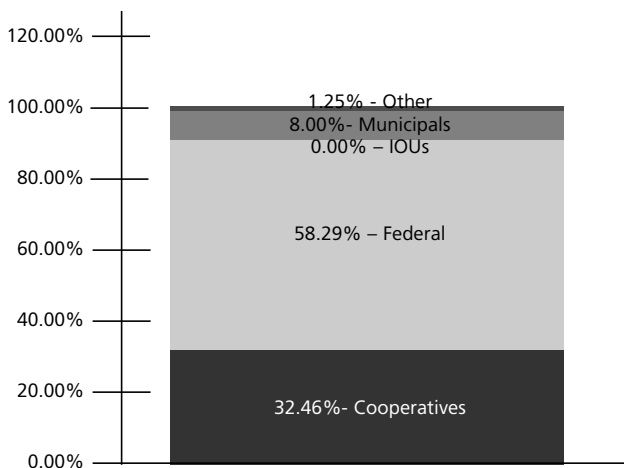
Actual Generation as a Percentage of Average Project Generation - Figure I



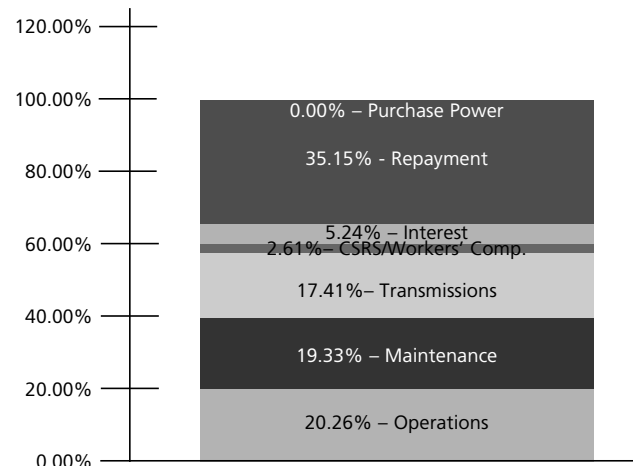
Actual Generation as a Percentage of Average System Generation - Figure J



FY 2004 Revenue by Source - Figure K



FY 2004 Application of Revenues - Figure L



# JIM WOODRUFF

The Jim Woodruff System is a one-project system located in the northern panhandle of Florida near the Georgia-Florida border. This system has six preference customers located in the northern part of Florida and one investor-owned utility.

## Generation

Generation during FY 2004 was 99% of average. Figure M illustrates the project's generation for the years 1994 through 2004.

## Financial Performance

Total revenue for the Jim Woodruff System was \$6.7 million. Of this amount, \$6.4 million was derived from the sale of 232,747 megawatt-hours of energy and 36 megawatts of capacity.

Total operating expenses, excluding depreciation, were \$3.5 million. Interest charged to the Federal investment was \$2.1 million, and repayment of the Federal investment was \$1.1 million. Figure N shows the revenue by source for the system, and Figure O shows the application of revenues.

Table 8 indicates the allocation of costs by project function for the project in the system, and Table 9 indicates the current rates. Current rates for the Jim Woodruff System were approved on an interim basis by the Deputy Secretary of Energy on September 9, 2004. The rate schedules were forwarded to FERC for final approval.

Cost Allocation by Project Function as of September 30, 2004 - Table 8

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
Jim Woodruff	101,149,420	61.95	31.50	–	–	6.55	–
TOTAL- Jim Woodruff System	101,149,420	61.95	31.50	–	–	6.55	–

Basic Power Rate Schedule as of September 30, 2004 - Table 9

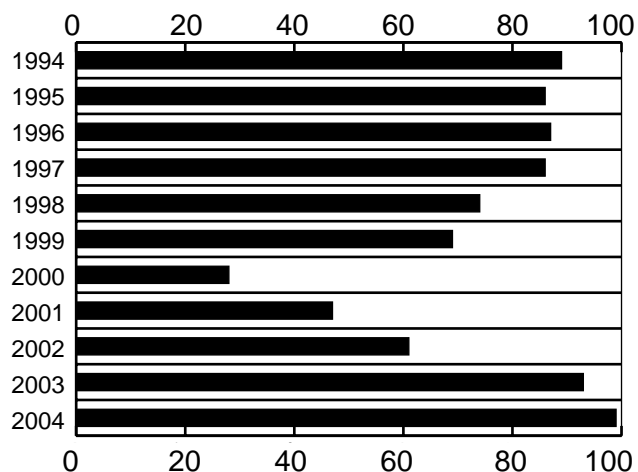
	Capacity \$/KW/ Month	Energy Mills/ KWh
Preference Customers	6.95	19.95
Investor Owned Utility*	–	22.89

\*Rate determined at 90% of Investor Owned Utility avoided cost

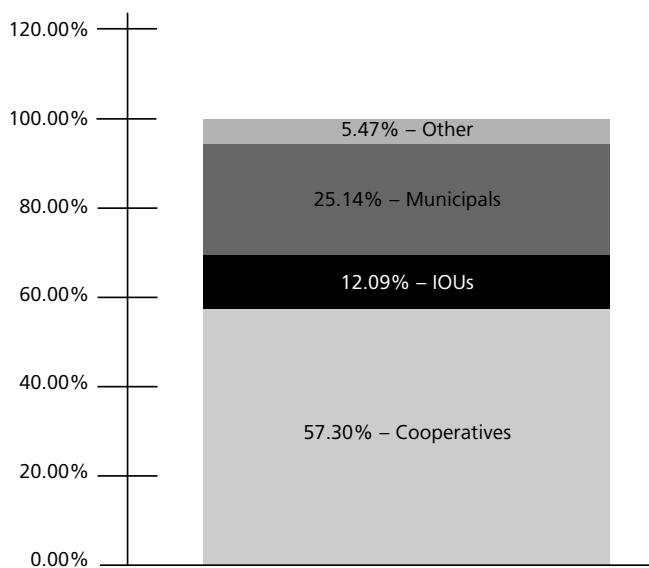
# 2004

## JIM WOODRUFF

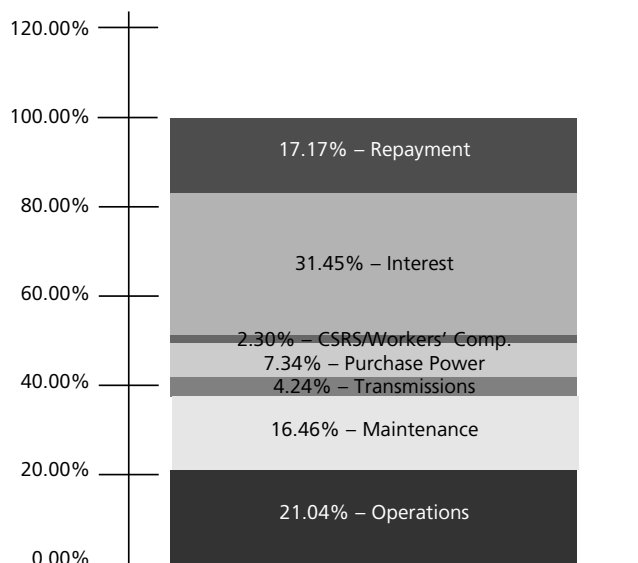
Actual Generation as a Percentage of Average System Generation - Figure M



FY 2004 Revenue by Source - Figure N



FY 2004 Application of Revenues - Figure O



# CUSTOMER SALES

Customer	KW	KWH	\$	Customer	KW	KWH	\$
Georgia-Alabama-South Carolina Sales							
Alabama							
Alabama EC	100,000	164,586,000	6,054,032.27	City of Camilla	6,072	9,262,484	370,418.28
Baldwin County EMC	17,284	26,907,317	1,432,466.26	City of Cartersville	17,152	26,179,135	1,046,513.51
Black Warrior EMC	18,494	28,366,972	1,557,727.16	City of College Park	15,559	23,764,281	949,506.48
Central Alabama EC	18,660	29,041,648	1,546,418.39	City of Commerce	4,456	6,795,444	271,813.35
Clarke-Washington EMC	6,678	10,375,834	553,230.95	City of Covington	9,382	14,324,676	572,490.12
Coosa Valley EC	5,728	8,920,592	474,764.07	City of Dalton	45,822	72,709,169	2,816,266.76
Dixie EC	7,273	11,333,055	602,892.79	City of Doerun	629	959,931	38,376.60
Pea River EC	3,422	5,313,227	283,450.29	City of Douglas	10,180	15,536,055	621,104.25
Pioneer EC	10,056	15,640,549	833,260.12	City of East Point	33,488	51,101,029	2,043,106.26
Tallapoosa River EC	11,494	17,877,136	952,444.90	City of Elberton	11,447	17,459,085	698,286.38
Tombigbee EC	6,578	10,095,672	554,125.30	City of Ellaville	936	1,429,620	57,120.57
Wiregrass EC	8,467	13,189,289	701,820.46	City of Fairburn	1,799	2,748,539	109,795.27
City of Alexander City	7,846	12,031,629	660,825.87	City of Fitzgerald	9,720	14,835,480	593,054.98
City of Dothan	52,461	80,499,285	4,419,090.92	City of Forsyth	3,720	5,677,363	226,967.01
City of Evergreen	4,047	6,199,851	340,787.48	City of Fort Valley	9,417	14,373,698	574,575.56
City of Fairhope	6,248	9,584,199	526,269.78	City of Grantville	470	716,390	28,665.52
City of Foley	21,199	32,517,756	1,785,585.88	City of Griffin	18,157	27,714,712	1,107,851.76
City of Hartford	3,050	4,630,346	256,403.06	City of Hampton	832	1,183,978	69,193.91
City of LaFayette	2,358	3,613,792	198,577.30	City of Hogansville	1,531	2,335,784	93,401.49
City of Lanett	5,321	8,159,712	448,160.06	City of Jackson	2,067	3,154,969	126,117.31
City of Luverne	3,158	4,842,290	265,976.47	City of LaFayette	6,607	10,083,252	403,108.52
City of Opelika	20,809	31,923,415	1,752,780.51	City of Lagrange	17,096	26,104,814	1,043,223.79
City of Piedmont	3,869	5,933,754	325,873.35	City of Lawrenceville	4,795	7,328,384	292,673.71
City of Robertsdale	3,372	5,165,747	283,947.13	City of Marietta	37,172	56,776,815	2,268,483.58
City of Sylacauga	16,494	25,277,422	1,389,022.11	City of Monroe	7,223	11,021,049	440,665.76
City of Troy	10,079	15,454,216	848,880.42	City of Monticello	1,836	2,800,729	112,004.14
City of Tuskegee	11,689	17,920,776	984,455.58	City of Moultrie	15,480	23,625,116	944,475.14
Alabama Total	386,134	605,401,481	\$30,033,268.88	City of Newnan	6,893	10,521,312	420,576.02
				City of Norcross	1,736	2,652,068	105,947.78
				City of Oxford	458	700,577	27,961.82
				City of Palmetto	923	1,409,064	56,319.37
				City of Quitman	4,428	6,754,325	270,123.40
				City of Sandersville	4,997	7,624,114	304,855.36
				City of Sylvania	5,436	8,302,552	331,735.99
				City of Sylvester	3,952	6,034,773	241,159.84
				City of Thomaston	7,687	11,739,016	469,087.39
				City of Thomasville	25,053	38,240,774	1,528,612.48
				City of Washington	5,068	7,733,238	309,196.06
				City of West Point	4,683	7,140,195	285,644.06
				City of Whigham	319	487,084	19,465.71
				Crisp County Power Comm.	18,068	27,575,548	1,102,383.67
				Town of Mansfield	379	577,226	23,110.16
				Southern Company	-	1,675,000	24,174.53
				Georgia Total	1,095,655	1,498,128,836	\$64,447,987.48
						</	

# 2004 CUSTOMER SALES

Customer	KW	KWH	\$	Customer	KW	KWH	\$
Laurens EC	13,843	23,652,354	872,775.84	<b>Virginia</b>			
Little River EC	5,272	8,847,379	336,982.97	B-A-R-C EC	4,042	11,101,029	282,123.41
York EC	9,050	15,355,196	569,265.94	Central Virginia EC	8,902	24,600,420	622,593.79
City of Abbeville	2,878	5,787,975	209,033.46	Community EC	4,558	12,535,676	318,283.43
City of Clinton	2,890	2,237,005	180,532.01	Craig-Botetourt EC	1,835	5,066,549	128,300.92
City of Easley	8,405	15,844,051	637,090.57	Mecklenburg EMC	12,257	33,984,046	858,163.38
City of Gaffney	6,783	12,794,556	514,241.73	Northern Neck EC	4,334	11,945,509	302,855.20
City of Georgetown	5,300	8,285,149	400,297.16	Northern Virginia EC	3,781	10,483,294	264,723.53
City of Greenwood	11,404	20,080,940	724,593.82	Prince George EC	2,655	7,266,345	185,104.10
City of Greer	8,891	16,834,583	674,821.44	Rappahannock EC	25,716	70,959,728	1,797,670.06
City of Laurens	5,719	10,816,447	433,922.92	Shenandoah Valley EMC	10,762	29,781,487	753,017.96
City of Newberry	3,183	2,463,567	198,832.21	Southside EC	15,904	43,873,744	1,111,672.96
City of Orangeburg	13,779	18,721,329	981,754.66	City of Franklin	1,294	968,679	68,990.78
City of Rock Hill	18,559	34,987,678	1,406,784.47	Harrisonburg Electric Commission	3,472	2,633,086	185,393.04
City of Seneca	2,688	1,678,100	134,440.83	Town of Blackstone	502	375,792	26,764.56
City of Union	3,385	2,620,404	211,456.47	Town of Culpepper	505	382,980	26,965.29
City of Westminster	658	509,268	41,103.17	Town of Elkton	221	165,439	11,782.81
Town of Bamberg	2,300	3,550,775	173,175.90	Town of Wakefield	137	102,556	7,304.27
Town of Due West	285	220,497	17,802.10	Virginia Total	100,877	266,226,359	\$6,951,709.49
Town of McCormick	522	691,050	37,092.09	<b>Kerr-Philpott System Total</b>	196,500	483,490,348	\$12,861,278.66
Town of Prosperity	602	1,141,598	45,712.35	<b>Jim Woodruff System</b>			
Town of Winnsboro	1,366	1,796,728	96,921.97	Central Florida EC	2,300	11,712,016	350,124.26
South Carolina PSA	135,000	160,962,330	7,623,715.66	Suwannee Valley EC	4,800	22,977,381	706,886.44
South Carolina Total	415,819	610,313,034	\$27,752,553.36	Talquin EC	13,500	67,053,324	2,027,596.53
<b>Georgia-Alabama-South Carolina System Total</b>	2,182,403	3,116,359,462	\$142,730,252.97	Tri-County EC	5,200	25,682,829	778,641.98
<b>Kerr-Philpott System</b>				City of Chattahoochee	1,800	11,657,447	314,497.53
<b>North Carolina</b>				City of Quincy	8,400	49,046,398	1,380,635.97
Albemarle EMC	2,852	8,509,430	171,021.05	Florida Power Corporation	-	44,618,097	814,789.05
Brunswick EMC	3,515	10,866,331	246,713.64	<b>Jim Woodruff System Total</b>	36,000	232,747,492	\$6,373,171.76
Carteret-Craven EMC	2,679	8,281,904	188,035.69	<b>Cumberland System</b>			
Central EMC	1,239	3,830,266	86,963.93	Southern Illinois Power Cooperative	28,000	42,000,000	1,133,328.00
Edgecombe-Martin County EMC	4,636	14,003,402	279,410.71	<b>Kentucky</b>			
Four County EMC	4,198	12,977,770	294,652.57	Big Rivers Electric Corporation	178,000	265,156,000	7,204,728.00
Halifax EMC	2,815	8,536,855	175,400.03	East Kentucky Power Cooperative	170,000	284,613,000	7,151,796.69
Harkers Island EMC	56	42,571	2,853.51	City of Barbourville	2,200	3,940,768	95,073.03
Jones-Onslow EMC	5,184	16,025,907	363,858.71	City of Bardstown	2,247	4,024,957	97,104.12
Lumbee River EMC	3,729	11,527,892	261,733.99	City of Bardwell	542	970,862	23,422.56
Pee Dee EMC	2,968	9,175,325	208,320.38	City of Benham	248	444,232	10,717.32
Piedmont EMC	1,086	3,368,920	76,321.09	City of Corbin	2,598	4,653,688	112,272.48
Pitt & Greene EMC	1,580	4,884,438	110,898.28	City of Falmouth	590	1,056,842	25,496.88
Randolph EMC	3,608	11,153,832	253,241.14	City of Frankfort	15,621	27,981,243	675,061.44
Roanoke EMC	5,972	17,922,204	358,968.38	City of Henderson	12,000	18,000,000	485,712.00
South River EMC	6,119	18,916,378	429,485.13	City of Madisonville	7,803	13,977,187	337,206.60
Tideland EMC	3,452	10,465,356	214,714.85	City of Nicholasville	2,556	4,578,455	110,457.60
Tri-County EMC	3,096	9,571,027	217,304.42	City of Owensboro	25,000	44,781,451	1,080,375.00
Wake EMC	2,164	6,689,826	151,888.52	City of Paris	1,364	2,443,276	58,945.20
City of Elizabeth City	2,073	1,575,485	110,718.96	City of Providence	1,231	2,205,039	53,197.68
City of Kinston	1,466	1,114,164	74,699.43	Kentucky Total	422,000	678,827,000	\$17,521,566.57
City of Lenoir	415	315,400	21,146.15	<b>Mississippi</b>			
City of Lumberton	895	680,204	45,604.44	South Mississippi EPA	51,000	76,500,000	2,064,276.00
City of New Bern	1,204	915,042	61,349.35	Mississippi Delta Energy Agency	11,215	16,595,000	453,938.40
City of Rocky Mount	2,538	1,928,886	129,322.85	Municipal Energy Agency of Miss.	18,785	28,178,000	760,341.72
City of Washington	2,703	2,054,287	137,730.32	Mississippi Total	81,000	121,273,000	\$3,278,556.12
City of Wilson	2,950	2,242,007	150,316.29	<b>North Carolina</b>			
Fayetteville Public Works Comm.	5,431	4,127,574	276,734.54	French Broad EMC	8,200	12,966,986	466,545.57
Greenville Utilities Commission	7,534	5,725,863	383,892.17	Haywood EMC	2,400	3,795,216	136,549.92
Town of Apex	145	110,201	7,388.48	Town of Waynesville	1,700	2,688,278	96,722.86
Town of Ayden	208	158,081	10,598.59	North Carolina Total	12,300	19,450,480	\$699,818.35
Town of Belhaven	182	138,320	9,720.60	Tennessee Valley Authority	405,000	3,193,376,000	\$32,598,319.85
Town of Benson	120	91,201	6,114.55	<b>Cumberland System Total</b>	948,300	4,054,926,480	\$55,231,588.89
Town of Clayton	161	122,360	8,203.68	<b>Grand Total</b>	3,363,203	7,887,523,782	\$217,196,292.28
Town of Edenton	775	589,003	41,392.77				
Town of Enfield	334	250,033	17,807.53				
Town of Farmville	237	180,121	12,076.26				
Town of Fremont	60	45,600	3,057.28				
Town of Hamilton	40	30,402	2,136.41				
Town of Hertford	203	154,280	10,842.24				
Town of Hobgood	46	34,958	2,456.85				
Town of Hookerton	30	22,800	1,528.63				
Town of La Grange	93	70,682	4,738.77				
Town of Louisburg	857	4,821,263	78,070.17				
Town of Pikeville	40	30,402	2,038.19				
Town of Red Springs	117	88,919	5,961.63				
Town of Robersonville	232	176,319	12,391.13				
Town of Scotland Neck	304	231,039	16,236.62				
Town of Selma	183	139,080	9,324.73				
Town of Smithfield	378	287,284	19,260.88				
Town of Tarboro	2,145	1,630,205	114,564.52				
Town of Wake Forest	149	113,241	7,592.24				
Town of Windsor	427	319,649	22,765.90				
North Carolina Total	95,623	217,263,989	\$5,909,569.17				

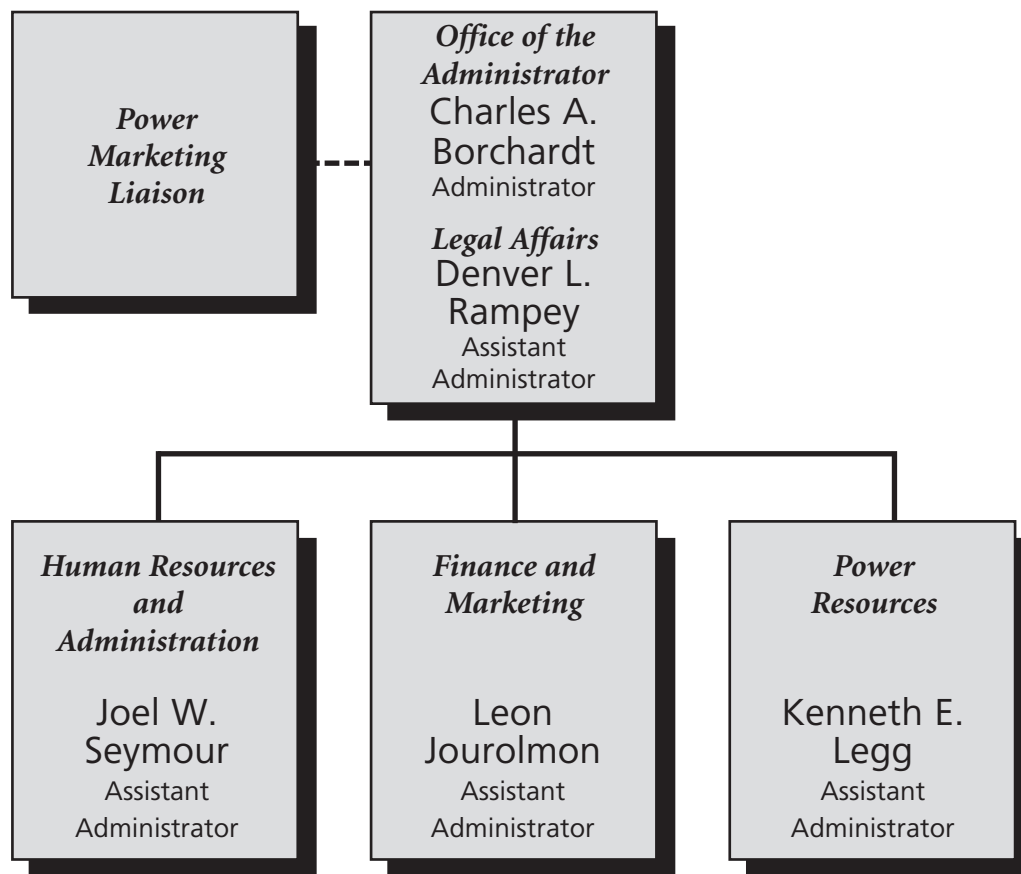
# SEPA - A CLOSER LOOK

## Mission Statement

Southeastern's mission is to market and deliver Federal hydroelectric power at the lowest possible cost to public bodies and cooperatives in the southeastern United States in a professional, innovative, customer oriented manner, while continuing to meet the challenges of an ever-changing electric utility environment through continuous improvements.

## Organizational Chart Vision Statement

Southeastern Power Administration will foster a well-trained, flexible workforce in an open and rewarding workplace. Southeastern's employees will practice integrity and honesty with all partners, nurture creativity, and achieve results in a rapidly changing electric utility industry.



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SOUTHEASTERN

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POWER

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ADMINISTRATION

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FINANCIAL

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OVERVIEW

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Combined Financial Statements and Supplementary Information as of and for the Years Ended  
September 30, 2004 and 2003 and Independent Auditors' Reports and Financial Overview and Program Performance

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# NOTES

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# 2004 FINANCIAL OVERVIEW

## Description

The Southeastern Federal Power Program (Power Program) consists of all activities associated with the production, transmission and disposition of Federal power marketed under Section 5 of the Flood Control Act of 1944 in 10 states. These states are: Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, and Kentucky. In addition, Southeastern markets power in Southern Illinois. The Power Program includes the accounts of two separate Federal government agencies - the Southeastern Power Administration (Southeastern), an agency of the United States Department of Energy, and the United States Army Corps of Engineers (Corps). Southeastern purchases, transmits, and markets power within four separate power systems (each including one or more Corps generating projects for which rates are set). These systems are: Georgia-Alabama-South Carolina System, Jim Woodruff System, Cumberland System, and Kerr-Philpott System.

The Corps operates 23 Federal hydroelectric generating projects in commercial service as of September 30, 2004, for which Southeastern is the power marketing agency. The Corps and Southeastern are separately managed and financed; however, the financial statements are combined under the Power Program title.

Costs of multiple purpose Corps projects are allocated to individual purposes (e.g., power, recreation, navigation, and flood control) through a

cost allocation process. Specific and joint-use costs allocated to power are included in the attached statements of assets, Federal investment, and liabilities, under utility plant and cash.

The accounts of the Power Program are maintained in conformity with accounting principles generally accepted in the United States and with the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission. The Power Program's accounting policies also reflect requirements of specific legislation and executive directives issued by the applicable government agencies.

Southeastern and the Corps receive Congressional appropriations through the Department of Energy and the Department of Defense to finance their operations. The Corps also receives Congressional appropriations to finance construction of its hydroelectric projects. In accordance with the Flood Control Act of 1944, Southeastern is responsible for repayment, with interest, of its appropriations, as well as Corps construction and operation appropriations allocated to power.

## Program Performance

During FY 2004, Southeastern marketed 7.9 billion kilowatt-hours of energy to 495 wholesale customers. Southeastern's revenues totaled \$224 million, which was \$11 million more than in FY 2003. This increase was due to rate adjustments in the Georgia-Alabama-South Carolina and Cumberland Systems.

# 2004 FINANCIAL OVERVIEW

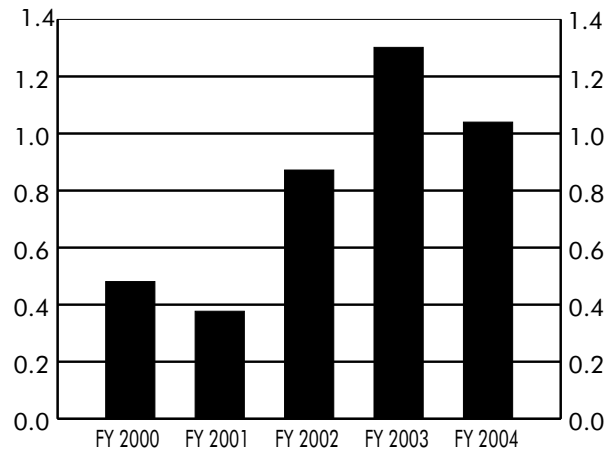
## Financial Performance Debt Service Coverage Ratio

The debt service coverage ratio measures the adequacy of a utility's cash flow to cover debt service cash, both principal and interest.

Specifically, the debt service coverage ratio measures revenues in excess of operating expenses requiring cash, or cash flow from operations available to make debt service payments of principal and interest. A ratio of 1.0 would generally indicate just enough cash flow to make principal and interest payments on outstanding debt, in addition to meeting all other cash expenses. A ratio of 1.5 would indicate sufficient cash flow to pay 1.5 times the amount of debt service actually due. Debt service coverage is an important measure of financial health, particularly for public power systems with no significant surplus or equity as a cushion. Since the revenues of a power marketing administration are applied to operating expenses and debt service requirements with typically no return built into rates, the level of debt service coverage is viewed as an important means of determining the revenue shortfalls that could be sustained before debt service payments were adversely affected. A balance exists between maintaining a sound financial condition and maintaining the lowest rates consistent with the not-for-profit orientation of power marketing agencies.

Over the last five years, Southeastern's debt service ratio has ranged from about 0.38 to 1.30. Southeastern's debt service ratio for FY 2000 to FY 2002 was below normal due to adverse water conditions. Southeastern's debt service coverage ratio for fiscal years 2000-2004 is illustrated in Figure P.

Debt Service Coverage Ratio - Figure P



Footnote: The Corps' depreciation balances as of October 1, 2002, were adjusted to correct for a change in accounting principle that occurred in FY 1997 and FY 1998, but which was not reflected in their accounting records at that time. The adjustment was made as of October 1, 2002 for approximately \$61 million and impacted FY 1999 through FY 2002; however, the amounts presented above for FY 2000 to FY 2002 do not reflect the impact of this adjustment.

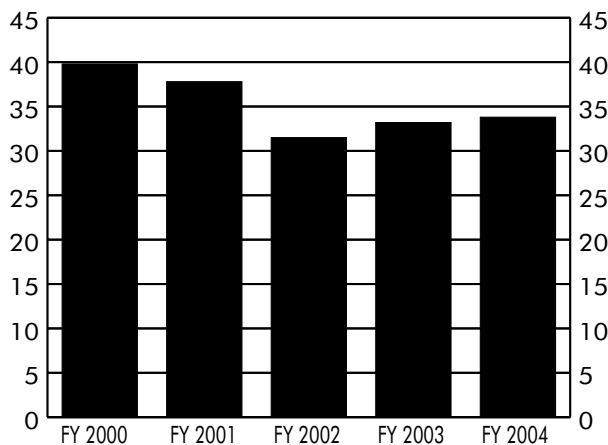
## Cumulative Principal as a Percent of Total Federal Investment (Plant-in-Service)

This indicator is a cumulative cash flow measure. It measures the cumulative principal payments made relative to the total Federal investment to date. During a period of capital expansion, this ratio would tend to decrease, whereas increases in cumulative payments over time would be expected for a mature system. Thus, a system with little time remaining in its repayment period would be expected to have a ratio of cumulative principal payments relative to total Federal investment that approaches 100%. This indicator provides useful information by showing the relationship between the cumulative amount of principal paid to date by Southeastern, as well as the progress made over the period studied. While analysis of this indicator does not necessarily provide conclusive informa-

# 2004 FINANCIAL OVERVIEW

tion without further analysis of additional factors, such as the average age of the system, the measure nevertheless provides valuable information on the status of repayment. Over the last five years, Southeastern's principal payments as a percentage of total investment have ranged from 32% to 40%. Payments as a percent of total investment are illustrated in Figure Q.

Cumulative Principal Payments as a Percentage of Total Investment - Figure Q



\*Please see footnote to Figure P on previous page.

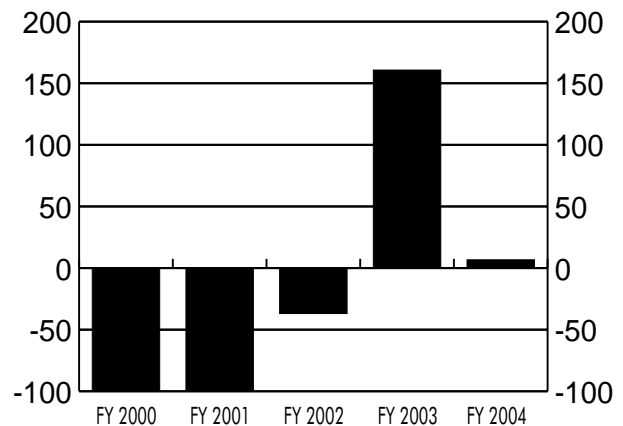
## Percent Variance of Actual from Planned Principal Payment

Each of the power marketing administrations shows relatively large fluctuations between actual and planned revenues due to the high variability of water over the years analyzed. A negative number means that actual repayment is not as large as expected. A positive number means that actual repayment is larger than expected.

Southeastern's -36.9% ratio in FY 2002 was the result of below average streamflow conditions. Southeastern's 160.7% ratio in FY 2003 was the

result of above average streamflow conditions, as illustrated in Figure R.

Percent Variance of Actual From Planned Principal Payments - Figure R



\*Please see footnote to Figure P on previous page.

## Net Cash to the Treasury

Net cash flow to the Treasury measures the actual net cash flow, both inflows and outflows, to the U.S. Treasury, excluding revenue from the Tennessee Valley Authority. This indicator focuses on cash flows as opposed to accrual accounting results.

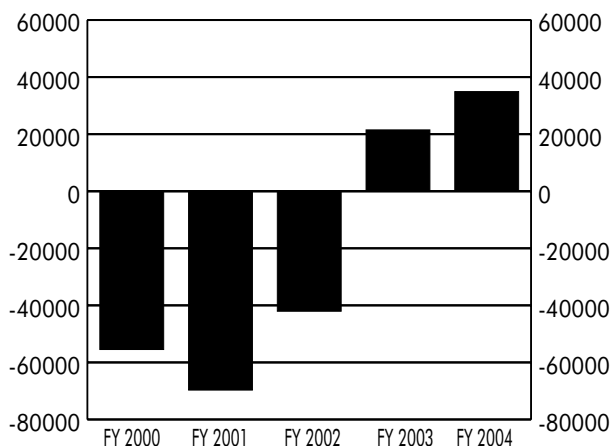
Because of its cash nature, this indicator is negatively influenced during years of large capital expenditures. Even in years of favorable financial performance, small or negative cash flow to the U.S. Treasury may result. In addition, the variability of water levels explains some of the fluctuation of this measure.

This indicator provides valuable financial information related to the annual effect of the power marketing administrations on the cash position of the U.S. Treasury. The measure should be used only in combination with other financial indicators to assess Southeastern's financial performance. Net

# 2004 FINANCIAL OVERVIEW

cash flow to the U.S. Treasury is illustrated in Figure S.

Net Cash Flow to the Treasury –  
Figure S (in thousands)



## Rate Performance

Performance indicators were prepared separately for transmission costs and generation rates. Cumulative year-to-year percentage increases in costs and rates were compared to cumulative percentage increases in the Consumer Price Index starting with 2000 as the base year.

## Transmission Performance Indicator - Composite Transmission Cost Indicator

The transmission cost indicator is a measure of the change in the capacity based on weighted average transmission rates paid by Southeastern from year to year. The FY 2000 decrease was the result of decreases in transmission rates in the Georgia-Alabama-South Carolina and Kerr-Philpott Systems, and a decrease of energy produced in the Jim Woodruff System. The FY 2001 increase was the result of an increase in energy produced at the

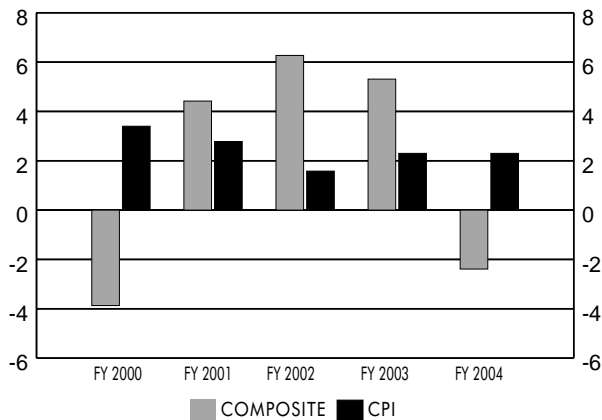
Jim Woodruff System. The FY 2002 increase was due to an increase in the tandem transmission rates in the Kerr-Philpott System. The FY 2003 increase was the result of the Richard B. Russell pumped storage turbines becoming operational. The FY 2004 decrease was the result of decreases in the transmission rates in the Georgia-Alabama-South Carolina and Kerr-Philpott Systems. Composite transmission indicators are illustrated in Figure T.

## System Transmission Cost Indicator

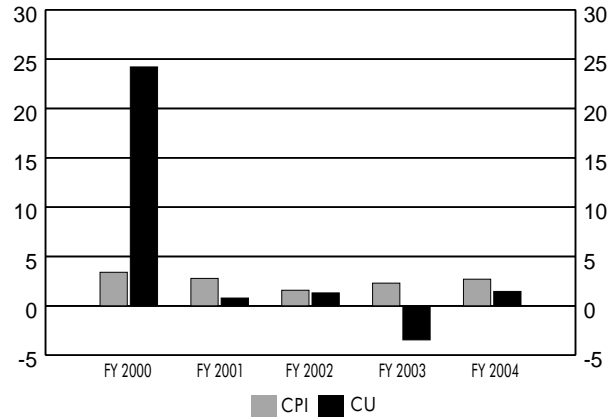
The 7% increase in the Jim Woodruff System in FY 2001 was the result of an increase in energy produced in FY 2001. The 37.2% decrease in the Kerr-Philpott System was the result of decreases in transmission rates. The 99% increase in the Kerr-Philpott System in FY 2002 was the result of the tandem transmission charge that went into effect. This charge is to pay Virginia Power and American Electric Power to transmit power to the border of neighboring utilities. The FY 2003 3.45% decrease in the Cumberland System was the result of decreases in the transmission rate. The FY 2004 5.8% decrease in the Georgia-Alabama-South Carolina System was the result of reductions in transmission rates. System transmission indicators are illustrated in Figures U, V, W, and X.

# 2004 FINANCIAL OVERVIEW

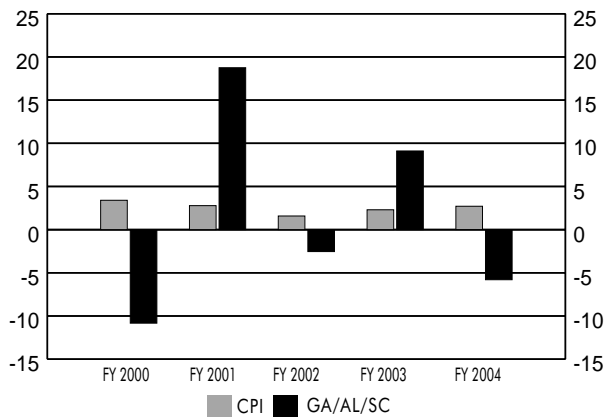
Composite Transmission Cost Indicator - Figure T



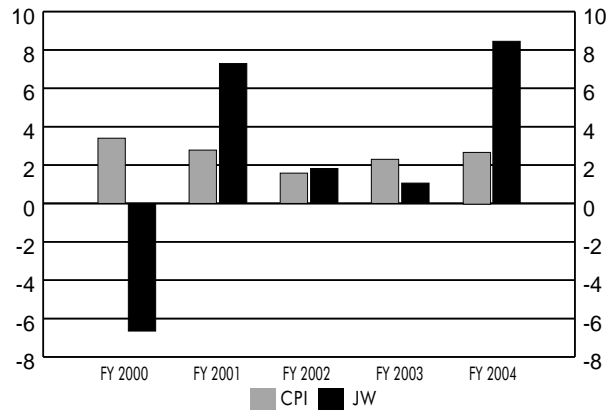
Cumberland Transmission Cost Indicator - Figure W



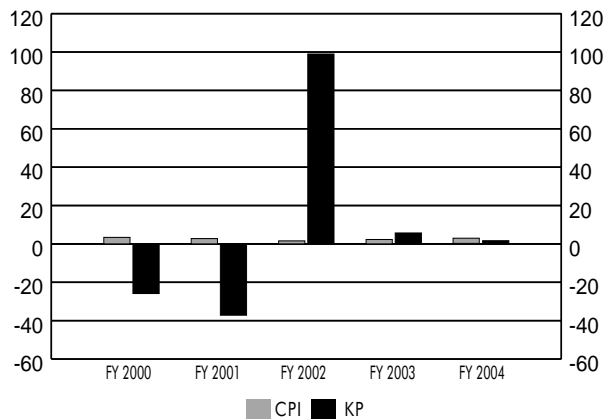
Georgia/Alabama/South Carolina Transmission Cost Indicator - Figure U



Jim Woodruff Transmission Cost Indicator - Figure X



Kerr/Philpott Transmission Cost Indicator - Figure V



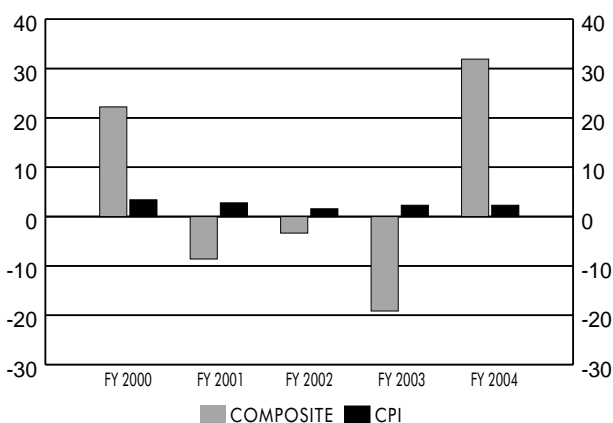
# 2004 FINANCIAL OVERVIEW

## Generation Performance Indicator - Composite Generation Cost Indicator

The composite generation indicator is a measure of the annual change in the average costs of energy charged by Southeastern from year to year.

The FY 2000 increase was due to below average streamflow conditions. The FY 2001 decrease was the result of a decrease in transmission rates and an increase in energy produced. The FY 2002 decrease was a result of an increase in energy produced. The -19.14% decrease was the result of above normal water conditions. The FY 2004 increase was the result of rate increases in the Georgia-Alabama-South Carolina and Cumberland Systems. Composite generation rate indicator is illustrated in Figure Y.

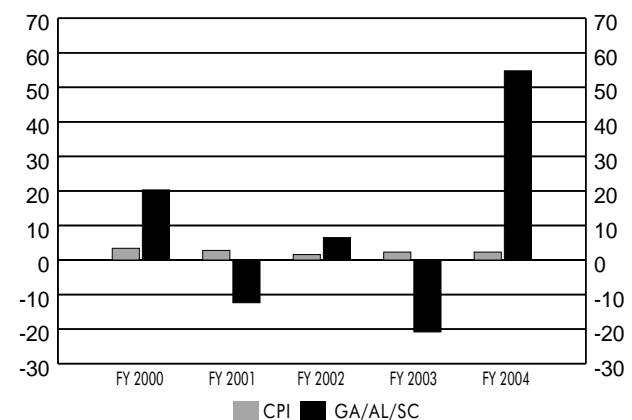
Composite Generation Cost Indicator - Figure Y



## System Generation Cost Indicator

The FY 2000 increase in the Cumberland system was the result of a 6% rate increase. The FY 2001 increase in the Jim Woodruff and Kerr-Philpott Systems was due to below average streamflow conditions. The FY 2002 increase in the Kerr-Philpott System was the result of below average streamflow indicators. The FY 2002 decrease in the Jim Woodruff System was the result of an increase in energy produced. The FY 2003 decrease in the Georgia-Alabama-South Carolina, Kerr-Philpott, and Cumberland Systems was the result of above normal streamflow conditions. The FY 2004 increase in the Georgia-Alabama-South Carolina System was a result of an 11% increase in rates. The FY 2004 increase in the Cumberland System was a result of 15% increase in rates. System generation rate indicators are illustrated in Figures Z, AA, BB, and CC.

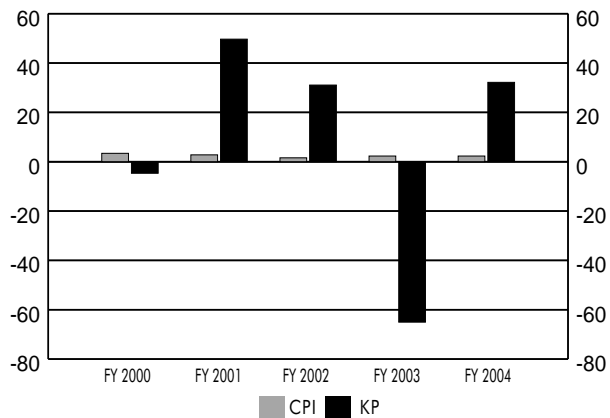
Georgia/Alabama/South Carolina Generation Cost Indicator - Figure Z



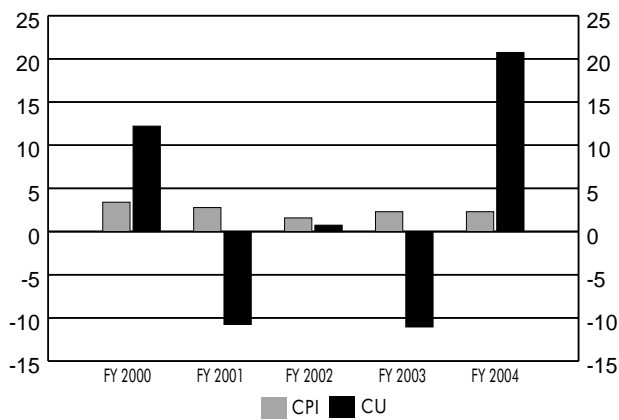
# 2004

## FINANCIAL OVERVIEW

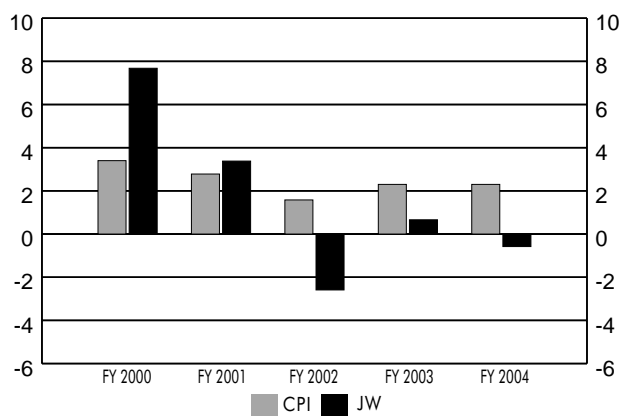
Kerr/Philpott Generation Cost Indicator -  
Figure AA



Cumberland Generation Cost Indicator -  
Figure BB



Jim Woodruff Generation Cost Indicator -  
Figure CC





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## INDEPENDENT AUDITORS' REPORT

Administrator of Southeastern Power Administration  
United States Department of Energy

We have audited the accompanying combined statements of assets, federal investment, and liabilities of the Southeastern Federal Power Program as of the years ended September 30, 2004 and 2003, and the related combined statements of revenues, expenses, and accumulated net revenues and of cash flows for the year then ended. These combined financial statements are the responsibility of Southeastern Federal Power Program's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget ("OMB") Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, as applicable to this entity. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southeastern Federal Power Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Southeastern Federal Power Program as of September 30, 2004 and 2003, and the results of its operations and changes in accumulated net revenues and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information presented in management's financial overview and program performance on pages 24 through 30 is not a required part of the basic combined financial statements. This information is the responsibility of Southeastern Federal Power Program's management. We did not audit or apply limited procedures to such information, and accordingly, we do not express any assurance on such information.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements, referred to in the first paragraph of this report, taken as a whole. The accompanying information contained in Exhibits I through VI is presented for purposes of additional analysis and is not a required part of the combined financial statements. This information is the responsibility of Southeastern Federal Power Program's management. The information contained in Exhibits I through V has been subjected to the auditing procedures applied in our audits of the combined financial statements and, in our opinion, is

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fairly stated in all material respects in relation to the combined financial statements taken as a whole. The information contained in Exhibit VI has not been subjected to the auditing procedures applied in our audits of the combined financial statements, and accordingly, we express no opinion on it.

*Deloitte + Touche LLP*

February 15, 2006

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINED STATEMENTS OF ASSETS, FEDERAL INVESTMENT, AND LIABILITIES SEPTEMBER 30, 2004 AND 2003 (In thousands)

<b>ASSETS:</b>	<b>2004</b>	<b>2003</b>
UTILITY PLANT ( Notes 2, 3, and 7):		
Plant in service	\$ 2,040,821	\$ 1,960,720
Less accumulated depreciation	<u>(661,444)</u>	<u>(622,399)</u>
Plant in service—net	1,379,377	1,338,321
Construction work in progress ( Note 3)	<u>87,031</u>	<u>120,583</u>
Net utility plant	<u>1,466,408</u>	<u>1,458,904</u>
CURRENT ASSETS:		
Cash/unexpended appropriations (Note 2)	26,074	26,023
Accounts receivable	18,232	14,653
Other	<u>5,064</u>	<u>5,153</u>
Total current assets	<u>49,370</u>	<u>45,829</u>
DEFERRED WORKERS' COMPENSATION ( Note 6)	<u>12,276</u>	<u>9,362</u>
Total assets	<u>\$ 1,528,054</u>	<u>\$ 1,514,095</u>
<b>FEDERAL INVESTMENT AND LIABILITIES:</b>		
FEDERAL INVESTMENT ( Note 4):		
Congressional appropriations ( Note 7)	\$ 3,523,276	\$ 3,413,897
U.S. Treasury transfers to continuing fund	37,645	37,645
Transfers from other federal agencies	44,341	41,639
Accumulated interest on federal investment ( Note 7)	1,506,736	1,439,993
Funds returned to U.S. Treasury ( Note 2)	<u>(3,646,241)</u>	<u>(3,473,567)</u>
Investment of U.S. government	1,465,757	1,459,607
Accumulated net revenue	<u>30,596</u>	<u>27,956</u>
Total federal investment	<u>1,496,353</u>	<u>1,487,563</u>
CURRENT LIABILITIES:		
Accounts payable	19,099	16,849
Accrued liabilities	<u>326</u>	<u>321</u>
Total current liabilities	<u>19,425</u>	<u>17,170</u>
ACCRUED WORKERS' COMPENSATION ( Note 6)	<u>12,276</u>	<u>9,362</u>
Total federal investment and liabilities ( Notes 2, 4, 6, and 7)	<u>\$ 1,528,054</u>	<u>\$ 1,514,095</u>

See notes to combined financial statements.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINED STATEMENTS OF REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES YEARS ENDED SEPTEMBER 30, 2004 AND 2003 (In thousands)

	2004	2003
OPERATING REVENUES:		
Sales of electric power (Notes 2 and 5)	\$ 217,196	\$ 196,679
Other operating income	<u>6,943</u>	<u>16,050</u>
Total operating revenues	<u>224,139</u>	<u>212,729</u>
OPERATING EXPENSES:		
Operations	41,886	42,044
Maintenance	26,675	25,236
Transmission services charged by others	31,835	32,620
Purchased power	13,340	8,634
Pension and related expenses	<u>3,839</u>	<u>3,617</u>
Total operating expenses—excluding depreciation	<u>117,575</u>	<u>112,151</u>
Depreciation	<u>42,657</u>	<u>32,377</u>
Total operating expenses	<u>160,232</u>	<u>144,528</u>
Net operating revenues	<u>63,907</u>	<u>68,201</u>
INTEREST EXPENSE:		
Interest on federal investment (Note 4)	66,745	66,040
Less interest charged to construction (Note 2)	<u>(5,478)</u>	<u>(5,767)</u>
Net interest expense	<u>61,267</u>	<u>60,273</u>
Net revenues	<u>2,640</u>	<u>7,928</u>
ACCUMULATED NET REVENUES (Note 2):		
Balance—beginning of year	<u>27,956</u>	<u>20,028</u>
Balance—end of year	<u>\$ 30,596</u>	<u>\$ 27,956</u>

See notes to combined financial statements.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2004 AND 2003 (In thousands)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net revenues	\$ 2,640	\$ 7,928
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation	42,657	32,377
Net interest on federal investment	61,267	60,273
(Increase) decrease in assets:		
Accounts receivable	(3,579)	(543)
Other assets	89	10
Deferred workers' compensation	(2,914)	(9,362)
(Decrease) increase in liabilities:		
Accounts payable	2,250	(9,957)
Accrued liabilities	5	(13)
Accrued workers' compensation	2,914	9,362
Net cash provided by operating activities	<u>105,329</u>	<u>90,075</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash used in investing activities—investment in utility plant	<u>(44,685)</u>	<u>(55,664)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Congressional appropriations	109,379	117,491
Transfers from other federal agencies	2,702	3,008
Funds returned to U.S. Treasury	<u>(172,674)</u>	<u>(167,254)</u>
Net cash used in financing activities	<u>(60,593)</u>	<u>(46,755)</u>
NET INCREASE (DECREASE) IN CASH	51	(12,344)
CASH—Beginning of year	<u>26,023</u>	<u>38,367</u>
CASH—End of year	<u>\$ 26,074</u>	<u>\$ 26,023</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Interest charged to construction	<u>\$ 5,478</u>	<u>\$ 5,767</u>

See notes to combined financial statements.

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# SOUTHEASTERN FEDERAL POWER PROGRAM

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2004 AND 2003 IN THOUSANDS

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### 1. ORGANIZATION AND BASIS OF PRESENTATION

The Southeastern Federal Power Program (the “Program”) consists of all activities associated with the production, transmission, and disposition of all federal power marketed under Section 5 of the Flood Control Act of 1944 (the “Flood Control Act”) in the ten states of Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, and Kentucky. The accompanying combined financial statements of the Program include the accounts of two separate federal government agencies—the Southeastern Power Administration (“Southeastern”), a unit of the United States Department of Energy (“DOE”), and the accounts of the Southeastern marketed hydroelectric generating plants and power operations of the United States Army Corps of Engineers (the “Corps of Engineers” or the “Corps”), a unit of the United States Department of Defense (“DOD”). Southeastern and the Corps are separately managed and financed, and each maintains its own accounting records. For purposes of financial and operational reporting, the facilities and related operations of Southeastern and the Corps are combined as the Program.

Southeastern purchases, transmits, and markets power within four separate power systems: Georgia-Alabama-South Carolina, Jim Woodruff, Cumberland Basin, and Kerr-Philpott. As of September 30, 2004, the four power systems include 23 hydroelectric generating projects owned and operated by the Corps of Engineers. The projects serve multiple purposes, including power, recreation, navigation, and flood control. However, these combined financial statements include only those expenses and net assets that are expected to be recovered through sales of power and other related income.

Costs of multipurpose Corps projects are allocated to power and nonpower purposes. The portion of total project costs allocated to power is included in the accompanying combined statement of assets, federal investment, and liabilities as utility plant and federal investment. An amount covering Corps employees’ salaries, pensions, and other benefits allocated to power is included in operations and maintenance expenses.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**General**—The accompanying combined financial statements are prepared in accordance with accounting principles and standards prescribed by the DOE, including the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission (“FERC”). These practices integrate accounting principles generally accepted in the United States of America as established by the Financial Accounting Standards Board and Federal Accounting Standards Advisory Board, with the accounting principles and standards prescribed by the Office of Management and Budget, except where deviations therefrom are specifically authorized by federal statute or allowed by federal regulation. The Program’s combined financial statements are presented in accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 71, *Accounting for the Effects of Certain Types of Regulation*. The provisions of SFAS No. 71 require, among other things, that regulated enterprises reflect rate actions of the regulator in their financial

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statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise.

***Congressional Appropriations/Financing***—Southeastern and the Corps of Engineers receive congressional appropriations through the DOE and the DOD, respectively, to finance their operations. The Corps also receives appropriations to finance construction of its hydroelectric projects. In accordance with the Flood Control Act, Southeastern is responsible for repayment to the federal government, with interest, of its appropriations and the portion of Corps appropriations allocated for construction and operation of the power projects.

Congressional appropriations received by the Corps are authorized and allocated to individual projects. It is the intent of the Corps' project management to distribute congressional appropriations in amounts approximating estimated current year expenses and to adjust the distribution as necessary within the limits of the Corps' transfer authority. Project costs which are not specific to a project purpose are distributed between power and nonpower purposes based on project cost allocation.

***Operating Revenues***—Operating revenues are recorded on an accrual basis as services are rendered. Rates are established under the requirements of the Flood Control Act, related legislation and executive departmental directives and are intended to provide sufficient revenues to meet all required payments for Program costs. Such Program costs include operation and maintenance expenses less depreciation, wheeling fees to connecting utilities for transmission of power to customers, and payment to the U.S. Treasury for the federal investment in utility plant and interest thereon. The rates are also required to be low enough to encourage widespread use of electricity at the lowest possible cost to preference customers, primarily public bodies and cooperatives, consistent with sound business principles.

The rates required under present DOE policy make provision for recovery of the federal investment in generating facilities within the service lives of the assets, not to exceed 50 years from the date placed in service. Operation and maintenance costs and interest on federal investment are intended to be recovered annually. As discussed below, assets are being depreciated on the straight-line method over their estimated service lives, which currently average approximately 48 years for generating plant components. The Program matches these costs and revenues as well as any other differences between estimated and actual costs by deferring the unmatched portion of the revenues as accumulated net revenues. Because the Program is a nonprofit federal power marketing agency, accumulated net revenues are committed to repayment of the federal investment.

Cash received is directly deposited with the U.S. Treasury and is reflected as "funds returned to U.S. Treasury" in the accompanying combined statements of assets, federal investment, and liabilities.

***Confirmation and Approval of Rates***—Southeastern has established rate schedules for each of the four power systems. These rates generally may be adjusted at five-year intervals under the terms of Southeastern's current power sales contracts and DOE Order RA 6120.2.

The Secretary of Energy (the "Secretary") has delegated authority to the Administrator of Southeastern to develop power and transmission rates for the power projects. The Deputy Secretary has the authority to confirm, approve, and place such rates in effect on an interim basis.

The Secretary has delegated to FERC the authority to confirm, approve, and place such rates in effect on a final basis and to remand or to disapprove such rates. Refunds with interest, as

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determined by FERC, are authorized if final approved rates are lower than rates approved on an interim basis. However, if at any time FERC determines that the administrative cost of a refund would exceed the amount to be refunded, no refunds will be required. No significant refunds are anticipated in connection with rates approved on an interim basis as of September 30, 2004.

**Cash**—Cash consists of the unexpended balance of funds appropriated by Congress for the Program-related activities of Southeastern and the Corps of Engineers and are maintained by the U.S. Treasury. For purposes of the statement of cash flows, unexpended appropriations are considered to be cash.

**Utility Plant**—Plant in service and construction work in progress consist principally of generating facilities and is stated at cost, excluding contributions in aid of construction by entities outside the Program. Cost includes direct labor and materials, payments to contractors, indirect charges for engineering, supervision, and similar overhead items, and interest on federal funds used during construction. The costs of additions, replacements, and betterments are capitalized, while repairs and minor replacement costs are charged to operation and maintenance expenses. The cost of utility plant retired, together with removal costs less salvage, is charged to accumulated depreciation when the property is removed from service. Gains and losses are recognized only on sales of significant identifiable assets.

**Interest Charged to Construction**—Interest on federal funds used during utility plant construction is included in the cost of completed projects.

**Depreciation**—Pursuant to executive directives of the Corps of Engineers, depreciation of utility plant is computed based on the estimated service lives of the various classes of property using the straight-line method. Service lives currently average approximately 48 years for utility plant components. Depreciation expense amounted to 2.1% and 1.7% of the original cost of generating plant in service during each of the years ended September 30, 2004 and 2003 respectively. In 2004, the Department of Defense Inspector General (“DoDIG”) issued an information paper on certain issues related to the accounting for buildings and other structures by the Corps, which includes, among other things, a proposed reduction in the useful lives of certain assets for purposes of computing depreciation expense. The DoDIG has stated that any change in useful lives should be accounted for prospectively, starting in 2005. The Program is presently in process of evaluating the impact on its financial statements of the issues raised in the DoDIG information paper; however management does not believe such adjustments would have a material impact on the Program’s financial statements.

During 2004, a net adjustment was made to increase depreciation expense and accumulated depreciation and reduce total operating expenses, net operating revenues and net revenues by \$12.1 million. This net adjustment represents the correction of certain prior year clerical errors that were made in the calculation of various depreciation adjustments in 2002 and 2003. Management does not believe these net adjustments are material, qualitatively or quantitatively, to any prior periods presented and as a result all such errors were corrected in the current year.

**Retirement Benefits**—substantially all employees engaged in Program activities participate in either the Civil Service Retirement System (“CSRS”) or the Federal Employees’ Retirement System (“FERS”). Both are contributory defined benefit pension plans and are not covered under the Employee Retirement Income Security Act of 1974. Pension benefit expense under CSRS is equivalent to 7.0% of eligible employee compensation and under FERS is 10.7% with options available to be chosen by the participant. Contributions to these plans are submitted to benefit program trust funds administered by the Office of Personnel Management (the “OPM”). The

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contribution levels as legislatively mandated do not reflect the total current cost/full cost requirements to fund the pension plans. Additional sources of funding include direct appropriations to the OPM, not Southeastern or the Corps. Other retirement benefits administered by the OPM include the Federal Employees Health Benefits Program and the Federal Employee Group Life Insurance Program.

Statement of Federal Financial Accounting Standards (“SFFAS”) No. 5, *Accounting for Liabilities of the Federal Government*, requires the federal employer entity to recognize pension expense and other retirement benefit expense in its financial report equal to the service cost for its employees for the accounting period, less the amount contributed by the employees, if any. In accordance with SFFAS No. 5, Southeastern has recorded \$337,300 and \$327,635 of annual pension and retirement benefits expense for the years ended September 30, 2004 and September 30, 2003, respectively. The Corps has recorded \$3,098,138 and \$3,007,678 of annual pension and retirement benefits expense for 2004 and 2003, respectively.

**Use of Estimates**—The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of Southeastern and the Corps to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **3. CONSTRUCTION WORK IN PROGRESS**

At September 30, 2001, construction work in progress primarily represented construction on the four hydroelectric units at Richard B. Russell hydroelectric project located on the Savannah River. During fiscal 2002, the four hydroelectric units that had been under construction were completed and placed in service. At September 30, 2004, total costs of such units were \$397 million, of which \$297 million was tentatively allocated to power and subject to adjustment. Historically, nearly 93% of joint operations and maintenance have been allocated to power. However, it is expected that the power allocation percentage will be approximately 72% once the final cost allocation study is completed. A final determination of the construction costs and operations and maintenance expenses to be allocated to power will not be made until the final power allocation percentage is adopted by administrative procedure, which is expected to be in the next few years. See Note 7 for additional information on the Richard B. Russell project cost allocations.

Construction appropriations for power generating facilities have been authorized by Congress through fiscal year 2005. Delays or cancellation of these projects could result from congressional suspension or termination of appropriations.

### **4. FEDERAL INVESTMENT**

The federal investment in each of the generating projects is to be repaid to the U.S. Treasury within the service lives of the assets, not to exceed 50 years from the time the facility is placed in service. There is no requirement for repayment of a specific amount on an annual basis.

Southeastern follows the provisions of DOE Order RA 6120.2 in setting priorities for repayment. Order RA 6120.2 requires that annual revenues be first applied to current year operating expenses, excluding depreciation, and interest expense on federal investment, net of interest charged to construction and interest credited on operating revenues deposited with the U.S. Treasury. All annual amounts, except for \$279,156 in the Kerr-Philpott System, for such expenses have been paid

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through fiscal year 2004. Remaining revenues are to be first applied to repayment of operating deficits (which include all expenses except depreciation), if any, and then to repayment of the federal investment. Annual net revenues available for repayment are generally applied first against investments in projects bearing the highest interest rates. To the extent that funds are not available for payment of such operating expenses and interest, such amounts become payable from the subsequent year's revenue prior to any repayment of the federal investment.

Interest is accrued annually on the unpaid balance of the federal investment. Such interest is reflected as an expense in the accompanying statement of revenues, expenses, and accumulated net revenues, with a corresponding increase in federal investment in the accompanying statement of assets, federal investment, and liabilities. Interest rates applied to the net outstanding federal investment range from 2.5% to 6.25%. The average rate was approximately 4.5% in fiscal 2004 and 4.6% in fiscal 2003. The rates have been set either by law, by administrative order pursuant to law, or by administrative policies and have not necessarily been established to recover the interest costs to the U.S. Treasury to finance the investment.

## **5. MAJOR CUSTOMERS**

Revenues from one customer were approximately 15% and 14% of the total operating revenues for the year ended September 30, 2004 and September 30, 2003, respectively. There was \$576,376 and \$414,075 in accounts receivable from this customer as of September 30, 2004 and September 30, 2003, respectively.

## **6. WORKERS' COMPENSATION**

Workers' compensation consists of two elements: (1) the actuarial liability associated with workers' compensation cases incurred for which additional claims may still be made in the future ("future claims") and (2) a liability for expenses, which Southeastern must reimburse, associated with actual claims incurred and paid by the U.S. Department of Labor ("DOL"), the program administrator. In conjunction with the adoption of SFFAS No. 4, *Management Cost Accounting Concepts and Standards for the Federal Government*, and SFFAS No. 5, the DOL, the DOE, and the DOD determined the Program's actuarial liability associated with workers' compensation cases. The actuarial liability for future claims was determined using historical benefit payment patterns and U.S. Treasury discount rates.

The recovery of these future claims will be deferred for purposes of the rate-making process until such time the future claims are actually submitted and paid by the DOL. Therefore, the recognition of the expense associated with this actuarially determined liability has been recorded as deferred workers' compensation in the combined power system statement of assets, federal investment, and liabilities in accordance with SFAS No. 71 to reflect the effects of the rate-making process. The Program's cumulative unpaid expenses associated with estimated future claims are approximately \$12,276,000 and \$9,362,000 as of September 30, 2004 and September 30, 2003, respectively.

## **7. COMMITMENTS AND CONTINGENCIES**

Southeastern and the Corps of Engineers are presently parties to certain claims and legal actions arising in the ordinary course of Program activities. However, in the opinion of management, such claims and actions will not have a material adverse impact on the Program's financial position, results of operations, or cash flows.

The suit filed by the South Carolina Department of Wildlife and Marine Resources and other parties against the Secretary of the Army, in connection with the operation of the four reversible pump turbines at the Richard B. Russell Dam, was resolved in favor of the Secretary of the Army during the fiscal year ended September 30, 2002. As a result of updated estimates, it was determined, in 2002 that the original power purpose allocation percentage of 99.4% for joint construction costs for the Richard B. Russell Dam project should be reduced to approximately 72.1%, and the Program's 2002 combined financial statements were adjusted accordingly. Program management continues to believe that once the final allocation percentage is determined and approved, it is probable that the Richard B. Russell power purpose allocation for joint construction costs will be approximately 72.1%. As a result, certain balances including congressional appropriations, accumulated interest on federal investment, joint operating and maintenance costs, depreciation, interest expense, and interest on federal investment are subject to revision pending completion of the final authorized joint cost allocation for the Richard B. Russell Dam project.

Southeastern has entered into various agreements for power and transmission purchases that vary in length but generally do not exceed 7 years. Southeastern's long-term commitments for these power and transmission contracts, subject to the availability of Federal Funds and contingent upon annual appropriations from Congress, based on budgeted amounts, are as follows:

<b>Year Ending September 30,</b>	<b>Purchased Power</b>	<b>Purchased Transmission</b>	<b>Total</b>
2004	\$ 800,000	\$ 34,900,000	\$ 35,700,000
2005	800,000	35,198,000	35,998,000
2006	800,000	35,005,000	35,805,000
2007	800,000	35,830,000	36,630,000
2008	800,000	36,700,000	37,500,000

In addition to these contracts, Southeastern maintains other long-term contracts which provide the ability to purchase unspecified quantities of transmission services within a contractually determined range and rate. To fulfill its contractual obligations to deliver power, Southeastern has historically had to purchase a certain level of transmission services under these arrangements. Southeastern fully intends to provide ongoing services to power customers and anticipates it will be necessary to acquire resources under these contracts.

Southeastern is a party to certain claims and legal actions arising in the ordinary course of business. In management's opinion, these actions will not have a material adverse effect on the financial condition or results of operations of Southeastern.

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## SUPPLEMENTARY INFORMATION

Exhibit I  
Page 1 of 3

### SOUTHEASTERN FEDERAL POWER PROGRAM GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM

#### SUPPLEMENTAL ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION SEPTEMBER 30, 2004 AND 2003 (In thousands)

ASSETS:	2004	2003
UTILITY PLANT:		
Plant in service	\$ 1,496,221	\$ 1,423,109
Less accumulated depreciation	(384,699)	(354,165)
Plant in service—net	1,111,522	1,068,944
Construction work in progress	65,872	104,186
Net utility plant	1,177,394	1,173,130
CURRENT ASSETS:		
Cash/unexpended appropriations	14,708	16,677
Accounts receivable	13,334	10,803
Other	4,902	4,999
Total current assets	32,944	32,479
DEFERRED WORKERS' COMPENSATION	3,562	3,665
Total assets	\$ 1,213,900	\$ 1,209,274
FEDERAL INVESTMENT AND LIABILITIES:		
FEDERAL INVESTMENT:		
Congressional appropriations	\$ 2,288,910	\$ 2,217,388
U.S. Treasury transfers to continuing fund	30,289	30,289
Transfers from other federal agencies	22,001	23,936
Accumulated interest on federal investment	1,143,189	1,082,954
Funds returned to U.S. Treasury	(2,216,125)	(2,099,447)
Investment of U.S. government	1,268,264	1,255,120
Accumulated net deficit	(71,841)	(63,049)
Total federal investment	1,196,423	1,192,071
CURRENT LIABILITIES:		
Accounts payable	13,707	13,339
Accrued liabilities	208	199
Total current liabilities	13,915	13,538
ACCRUED WORKERS' COMPENSATION	3,562	3,665
Total federal investment and liabilities	\$ 1,213,900	\$ 1,209,274

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM

### SUPPLEMENTAL REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION

YEARS ENDED SEPTEMBER 30, 2004 AND 2003

(In thousands)

	2004	2003
OPERATING REVENUES:		
Sales of electric power	\$ 142,730	\$ 127,787
Other operating income	<u>6,058</u>	<u>7,718</u>
Total operating revenues	<u>148,788</u>	<u>135,505</u>
OPERATING EXPENSES:		
Operations	23,485	22,848
Maintenance	13,337	13,019
Transmission services charged by others	17,638	18,342
Purchased power	12,846	7,631
Pension and related expenses	<u>1,851</u>	<u>1,782</u>
Total operating expenses—excluding depreciation	69,157	63,622
Depreciation	<u>32,735</u>	<u>14,891</u>
Total operating expenses	<u>101,892</u>	<u>78,513</u>
Net operating revenues	<u>46,896</u>	<u>56,992</u>
INTEREST EXPENSE:		
Interest on federal investment	60,235	58,739
Less interest charged to construction	<u>(4,547)</u>	<u>(4,816)</u>
Net interest expense	<u>55,688</u>	<u>53,923</u>
Net (deficit) revenues	<u>(8,792)</u>	<u>3,069</u>
ACCUMULATED NET REVENUES:		
Balance—beginning of year	<u>(63,049)</u>	<u>(66,118)</u>
Balance—end of year	<u>\$ (71,841)</u>	<u>\$ (63,049)</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM

### SUPPLEMENTAL CASH FLOWS INFORMATION YEARS ENDED SEPTEMBER 30, 2004 AND 2003 (In thousands)

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (deficit) revenues	\$ (8,792)	\$ 3,069
Adjustments to reconcile net (deficit) revenues to net cash provided by operating activities:		
Depreciation	32,735	14,891
Net interest on federal investment	55,688	53,923
(Increase) decrease in assets:		
Accounts receivable	(2,531)	201
Other assets	97	(1)
Deferred workers' compensation	(103)	(3,665)
(Decrease) increase in liabilities:		
Accounts payable	368	(8,389)
Accrued liabilities	9	(8)
Accrued workers' compensation	103	3,665
Net cash provided by operating activities	<u>77,574</u>	<u>63,686</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash used in investing activities—investment in utility plant	<u>(32,452)</u>	<u>(49,943)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Congressional appropriations	71,522	82,173
Transfers from other federal agencies	(1,935)	1,630
Funds returned to U.S. Treasury	<u>(116,678)</u>	<u>(106,401)</u>
Net cash used in financing activities	<u>(47,091)</u>	<u>(22,598)</u>
<b>NET DECREASE IN CASH</b>	<b>(1,969)</b>	<b>(8,855)</b>
<b>CASH—Beginning of year</b>	<u>16,677</u>	<u>25,532</u>
<b>CASH—End of year</b>	<u><u>\$ 14,708</u></u>	<u><u>\$ 16,677</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Interest charged to construction	<u><u>\$ 4,547</u></u>	<u><u>\$ 4,816</u></u>

See accompanying independent auditors' report.

**SOUTHEASTERN FEDERAL POWER PROGRAM**  
**JIM WOODRUFF SYSTEM**

**SUPPLEMENTAL ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION**  
**SEPTEMBER 30, 2004 AND 2003**  
**(In thousands)**

<b>ASSETS:</b>	<b>2004</b>	<b>2003</b>
UTILITY PLANT:		
Plant in service	\$ 59,719	\$ 59,411
Less accumulated depreciation	<u>(14,778)</u>	<u>(13,732)</u>
Plant in service—net	44,941	45,679
Construction work in progress	<u>2,968</u>	<u>901</u>
Net utility plant	<u>47,909</u>	<u>46,580</u>
CURRENT ASSETS:		
Cash/unexpended appropriations	1,218	436
Accounts receivable	612	613
Other	<u>87</u>	<u>87</u>
Total current assets	<u>1,917</u>	<u>1,136</u>
DEFERRED WORKERS' COMPENSATION	<u>1,492</u>	<u>356</u>
Total assets	<u>\$ 51,318</u>	<u>\$ 48,072</u>
<b>FEDERAL INVESTMENT AND LIABILITIES:</b>		
FEDERAL INVESTMENT:		
Congressional appropriations	\$ 133,226	\$ 128,066
U.S. Treasury transfers to continuing fund	2,920	2,921
Transfers from other federal agencies	2,783	2,797
Accumulated interest on federal investment	28,481	26,272
Funds returned to U.S. Treasury	<u>(124,771)</u>	<u>(119,167)</u>
Investment of U.S. government	42,639	40,889
Accumulated net revenues	<u>6,120</u>	<u>6,019</u>
Total federal investment	<u>48,759</u>	<u>46,908</u>
CURRENT LIABILITIES:		
Accounts payable	1,060	801
Accrued liabilities	<u>7</u>	<u>7</u>
Total current liabilities	<u>1,067</u>	<u>808</u>
ACCRUED WORKERS' COMPENSATION	<u>1,492</u>	<u>356</u>
Total federal investment and liabilities	<u>\$ 51,318</u>	<u>\$ 48,072</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM JIM WOODRUFF SYSTEM

### SUPPLEMENTAL REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION

YEARS ENDED SEPTEMBER 30, 2004 AND 2003

(In thousands)

	2004	2003
OPERATING REVENUES:		
Sales of electric power	\$ 6,373	\$ 6,265
Other operating income	<u>368</u>	<u>68</u>
Total operating revenues	<u>6,741</u>	<u>6,333</u>
OPERATING EXPENSES:		
Operations	1,419	1,461
Maintenance	1,109	1,060
Transmission services charged by others	286	264
Purchased power	495	974
Pension and related expenses	<u>155</u>	<u>138</u>
Total operating expenses—excluding depreciation	3,464	3,897
Depreciation	<u>1,056</u>	<u>1,072</u>
Total operating expenses	<u>4,520</u>	<u>4,969</u>
Net operating revenues	<u>2,221</u>	<u>1,364</u>
INTEREST EXPENSE:		
Interest on federal investment	2,209	2,180
Less interest charged to construction	<u>(89)</u>	<u>(40)</u>
Net interest expense	<u>2,120</u>	<u>2,140</u>
Net revenues (deficit)	<u>101</u>	<u>(776)</u>
ACCUMULATED NET REVENUES:		
Balance—beginning of year	<u>6,019</u>	<u>6,795</u>
Balance—end of year	<u>\$ 6,120</u>	<u>\$ 6,019</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM JIM WOODRUFF SYSTEM

### SUPPLEMENTAL CASH FLOWS INFORMATION YEARS ENDED SEPTEMBER 30, 2004 AND 2003 (In thousands)

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net revenues (deficit)	\$ 101	\$ (776)
Adjustments to reconcile net revenues (deficit) to net cash provided by operating activities:		
Depreciation	1,056	1,072
Net interest on federal investment	2,120	2,140
(Increase) decrease in assets:		
Accounts receivable	1	(48)
Deferred workers' compensation	(1,136)	(356)
(Decrease) increase in liabilities:		
Accounts payable	259	(162)
Accrued workers' compensation	1,136	356
Net cash provided by operating activities	<u>3,537</u>	<u>2,226</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash used in investing activities—investment in utility plant	<u>(2,296)</u>	<u>(434)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Congressional appropriations	5,160	2,451
U.S. Treasury transfers to continuing fund	(1)	-
Transfers from other Federal agencies	(14)	47
Funds returned to U.S. Treasury	<u>(5,604)</u>	<u>(4,991)</u>
Net cash used in financing activities	<u>(459)</u>	<u>(2,493)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>782</b>	<b>(701)</b>
<b>CASH—Beginning of year</b>	<b><u>436</u></b>	<b><u>1,137</u></b>
<b>CASH—End of year</b>	<b><u>\$ 1,218</u></b>	<b><u>\$ 436</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Interest charged to construction	<u>\$ 89</u>	<u>\$ 40</u>

See accompanying independent auditors' report.

## **SOUTHEASTERN FEDERAL POWER PROGRAM CUMBERLAND BASIN SYSTEM**

### **SUPPLEMENTAL ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION SEPTEMBER 30, 2004 AND 2003 (In thousands)**

<b>ASSETS:</b>	<b>2004</b>	<b>2003</b>
UTILITY PLANT:		
Plant in service	\$ 380,567	\$ 379,617
Less accumulated depreciation	<u>(210,013)</u>	<u>(202,677)</u>
Plant in service—net	170,554	176,940
Construction work in progress	<u>4,917</u>	<u>3,102</u>
Net utility plant	<u>175,471</u>	<u>180,042</u>
CURRENT ASSETS:		
Cash/unexpended appropriations	8,745	4,874
Accounts receivable	3,139	2,032
Other	<u>26</u>	<u>26</u>
Total current assets	<u>11,910</u>	<u>6,932</u>
DEFERRED WORKERS' COMPENSATION	<u>6,274</u>	<u>4,588</u>
Total assets	<u>\$ 193,655</u>	<u>\$ 191,562</u>
<b>FEDERAL INVESTMENT AND LIABILITIES:</b>		
FEDERAL INVESTMENT:		
Congressional appropriations	\$ 780,504	\$ 760,480
U.S. Treasury transfers to continuing fund	1,461	1,461
Transfers from other federal agencies	17,691	12,568
Accumulated interest on federal investment	271,783	268,899
Funds returned to U.S. Treasury	<u>(944,704)</u>	<u>(903,541)</u>
Investment of U.S. government	126,735	139,867
Accumulated net revenues	<u>57,500</u>	<u>45,748</u>
Total federal investment	<u>184,235</u>	<u>185,615</u>
CURRENT LIABILITIES:		
Accounts payable	3,074	1,282
Accrued liabilities	<u>72</u>	<u>77</u>
Total current liabilities	<u>3,146</u>	<u>1,359</u>
ACCRUED WORKERS' COMPENSATION	<u>6,274</u>	<u>4,588</u>
Total federal investment and liabilities	<u>\$ 193,655</u>	<u>\$ 191,562</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM CUMBERLAND BASIN SYSTEM

### SUPPLEMENTAL REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION

YEARS ENDED SEPTEMBER 30, 2004 AND 2003

(In thousands)

	2004	2003
OPERATING REVENUES:		
Sales of electric power	\$ 55,232	\$ 46,847
Other operating income	696	7,993
Total operating revenues	55,928	54,840
OPERATING EXPENSES:		
Operations	11,333	12,095
Maintenance	10,813	9,815
Transmission services charged by others	9,735	9,595
Pension and related expenses	1,460	1,315
Total operating expenses—excluding depreciation	33,341	32,820
Depreciation	7,904	15,434
Total operating expenses	41,245	48,254
Net operating revenues	14,683	6,586
INTEREST EXPENSE:		
Interest on federal investment	2,884	4,013
Less interest charged to construction	47	(100)
Net interest expense	2,931	3,913
Net revenues	11,752	2,673
ACCUMULATED NET REVENUES:		
Balance—beginning of year	45,748	43,075
Balance—end of year	\$ 57,500	\$ 45,748

See accompanying independent auditors' report.

## **SOUTHEASTERN FEDERAL POWER PROGRAM CUMBERLAND BASIN SYSTEM**

### **SUPPLEMENTAL CASH FLOWS INFORMATION YEARS ENDED SEPTEMBER 30, 2004 AND 2003 (In thousands)**

	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net revenues	\$ 11,752	\$ 2,673
Adjustments to reconcile net revenue to net cash provided by operating activities:		
Depreciation	7,904	15,434
Net interest on federal investment	2,931	3,913
Decrease in assets:		
Accounts receivable	(1,107)	(434)
Deferred workers' compensation	(1,686)	(4,588)
(Decrease) increase in liabilities:		
Accounts payable	1,792	(63)
Accrued liabilities	(5)	(3)
Accrued workers' compensation	1,686	4,588
Net cash provided by operating activities	<u>23,267</u>	<u>21,520</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash provided by investing activities—utility plant	<u>(3,381)</u>	<u>123</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Congressional appropriations	20,025	20,551
Transfers from other federal agencies	5,123	1,208
Funds returned to U.S. Treasury	(41,163)	(44,533)
Net cash used in financing activities	<u>(16,015)</u>	<u>(22,774)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>3,871</b>	<b>(1,131)</b>
<b>CASH—Beginning of year</b>	<b>4,874</b>	<b>6,005</b>
<b>CASH—End of year</b>	<b><u>\$ 8,745</u></b>	<b><u>\$ 4,874</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Interest charged to construction	<u>\$ (47)</u>	<u>\$ 100</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM KERR-PHILPOTT SYSTEM

### SUPPLEMENTAL ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION SEPTEMBER 30, 2004 AND 2003 (In thousands)

<b>ASSETS:</b>	<b>2004</b>	<b>2003</b>
UTILITY PLANT:		
Plant in service	\$ 104,314	\$ 98,583
Less accumulated depreciation	(51,954)	(51,825)
Plant in service—net	52,360	46,758
Construction work in progress	13,274	12,394
Net utility plant	65,634	59,152
CURRENT ASSETS:		
Cash/unexpended appropriations	1,403	4,036
Accounts receivable	1,147	1,205
Other	48	41
Total current assets	2,598	5,282
DEFERRED WORKERS' COMPENSATION	949	753
Total assets	\$ 69,181	\$ 65,187
<b>FEDERAL INVESTMENT AND LIABILITIES:</b>		
FEDERAL INVESTMENT:		
Congressional appropriations	\$ 320,636	\$ 307,963
U.S. Treasury transfers to continuing fund	2,974	2,974
Transfers from other federal agencies	1,866	2,338
Accumulated interest on federal investment	63,284	61,868
Funds returned to U.S. Treasury	(360,641)	(351,412)
Investment of U.S. government	28,119	23,731
Accumulated net revenues	38,816	39,238
Total federal investment	66,935	62,969
CURRENT LIABILITIES:		
Accounts payable	1,258	1,427
Accrued liabilities	39	38
Total current liabilities	1,297	1,465
ACCRUED WORKERS' COMPENSATION	949	753
Total federal investment and liabilities	\$ 69,181	\$ 65,187

See accompanying independent auditors' report.

**SOUTHEASTERN FEDERAL POWER PROGRAM  
KERR-PHILPOTT SYSTEM**

**SUPPLEMENTAL REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES  
INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

**(In thousands)**

	<b>2004</b>	<b>2003</b>
OPERATING REVENUES:		
Sales of electric power	\$ 12,861	\$ 15,780
Other operating income	(180)	271
Total operating revenues	<u>12,681</u>	<u>16,051</u>
OPERATING EXPENSES:		
Operations	5,650	5,641
Maintenance	1,416	1,342
Transmission services charged by others	4,175	4,419
Purchased power	-	29
Pension and related expenses	<u>372</u>	<u>382</u>
Total operating expenses—excluding depreciation	11,613	11,813
Depreciation	<u>962</u>	<u>980</u>
Total operating expenses	<u>12,575</u>	<u>12,793</u>
Net operating revenues	<u>106</u>	<u>3,258</u>
Interest on federal investment	1,416	1,108
Less interest charged to construction	<u>(888)</u>	<u>(811)</u>
Net interest expense	<u>528</u>	<u>297</u>
Net (deficit) revenues	<u>(422)</u>	<u>2,961</u>
ACCUMULATED NET REVENUES:		
Balance—beginning of year	<u>39,238</u>	<u>36,277</u>
Balance—end of year	<u>\$ 38,816</u>	<u>\$ 39,238</u>

See accompanying independent auditors' report.

**SOUTHEASTERN FEDERAL POWER PROGRAM**  
**KERR-PHILPOTT SYSTEM**

**SUPPLEMENTAL CASH FLOWS INFORMATION**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**  
**(In thousands)**

	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (deficit) revenues	\$ (422)	\$ 2,961
Adjustments to reconcile net (deficit) revenues to net cash provided by operating activities:		
Depreciation	962	980
Net interest on federal investment	528	297
(Increase) decrease in current assets:		
Accounts receivable	58	(262)
Other assets	(7)	11
Deferred workers' compensation	(196)	(753)
(Decrease) increase in liabilities:		
Accounts payable	(169)	(1,343)
Accrued liabilities	1	(1)
Accrued workers' compensation	196	753
Net cash provided by operating activities	<u>951</u>	<u>2,643</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash used in investing activities—investment in utility plant	<u>(6,556)</u>	<u>(5,410)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Congressional appropriations	12,673	12,316
Transfers from other federal agencies	(472)	123
Funds returned to U.S. Treasury	<u>(9,229)</u>	<u>(11,329)</u>
Net cash provided by financing activities	<u>2,972</u>	<u>1,110</u>
<b>NET DECREASE IN CASH</b>	<b>(2,633)</b>	<b>(1,657)</b>
Cash—Beginning of year	<u>4,036</u>	<u>5,693</u>
Cash—End of year	<u><u>\$ 1,403</u></u>	<u><u>\$ 4,036</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Interest charged to construction	<u>\$ 888</u>	<u>\$ 811</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINING ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION

**SEPTEMBER 30, 2004**

**(In thousands)**

	Corps of Engineers	Southeastern Power Administration	Total
<b>ASSETS:</b>			
UTILITY PLANT:			
Plant in service	\$ 2,039,358	\$ 1,463	\$ 2,040,821
Less accumulated depreciation	(660,687)	(757)	(661,444)
Plant in service—net	1,378,671	706	1,379,377
Construction work in progress	87,031	-	87,031
Net utility plant	1,465,702	706	1,466,408
CURRENT ASSETS:			
Cash/unexpended appropriations	22,779	3,295	26,074
Accounts receivable	859	17,373	18,232
Other	5,064	-	5,064
Total current assets	28,702	20,668	49,370
DEFERRED WORKERS' COMPENSATION	12,276	-	12,276
Total assets	\$ 1,506,680	\$ 21,374	\$ 1,528,054
<b>FEDERAL INVESTMENT AND LIABILITIES:</b>			
FEDERAL INVESTMENT:			
Congressional appropriations	\$ 3,150,284	\$ 372,992	\$ 3,523,276
U.S. Treasury transfers to continuing fund	-	37,645	37,645
Transfers from other federal agencies	48,849	(4,508)	44,341
Accumulated interest on federal investment	1,505,981	755	1,506,736
Funds returned to U.S. Treasury	(3,257,721)	(388,520)	(3,646,241)
Investment of U.S. government	1,447,393	18,364	1,465,757
Accumulated net revenues	30,596	-	30,596
Total federal investment	1,477,989	18,364	1,496,353
CURRENT LIABILITIES:			
Accounts payable	16,415	2,684	19,099
Accrued liabilities	-	326	326
Total current liabilities	16,415	3,010	19,425
ACCRUED WORKERS' COMPENSATION	12,276	-	12,276
COMMITMENTS AND CONTINGENCIES			
Total federal investment and liabilities	\$ 1,506,680	\$ 21,374	\$ 1,528,054

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINING ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION

**SEPTEMBER 30, 2003**

**(In thousands)**

	Corps of Engineers	Southeastern Power Administration	Total
<b>ASSETS:</b>			
UTILITY PLANT:			
Plant in service	\$ 1,959,346	\$ 1,374	\$ 1,960,720
Less accumulated depreciation	(621,796)	(603)	(622,399)
Plant in service—net	1,337,550	771	1,338,321
Construction work in progress	120,583	-	120,583
Net utility plant	1,458,133	771	1,458,904
CURRENT ASSETS:			
Cash/unexpended appropriations	22,559	3,464	26,023
Accounts receivable	72	14,581	14,653
Other	5,153	-	5,153
Total current assets	27,784	18,045	45,829
DEFERRED WORKERS' COMPENSATION	9,362	-	9,362
Total assets	<u>\$ 1,495,279</u>	<u>\$ 18,816</u>	<u>\$ 1,514,095</u>
<b>FEDERAL INVESTMENT AND LIABILITIES:</b>			
FEDERAL INVESTMENT:			
Congressional appropriations	\$ 3,048,407	\$ 365,490	\$ 3,413,897
U.S. Treasury transfers to continuing fund	-	37,645	37,645
Transfers from other federal agencies	39,652	1,987	41,639
Accumulated interest on federal investment	1,439,279	714	1,439,993
Funds returned to U.S. Treasury	(3,083,265)	(390,302)	(3,473,567)
Investment of U.S. government	1,444,073	15,534	1,459,607
Accumulated net revenues	27,956	-	27,956
Total federal investment	1,472,029	15,534	1,487,563
CURRENT LIABILITIES:			
Accounts payable	13,888	2,961	16,849
Accrued liabilities	-	321	321
Total current liabilities	13,888	3,282	17,170
ACCRUED WORKERS' COMPENSATION	9,362	-	9,362
COMMITMENTS AND CONTINGENCIES			
Total federal investment and liabilities	<u>\$ 1,495,279</u>	<u>\$ 18,816</u>	<u>\$ 1,514,095</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINING REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION YEAR ENDED SEPTEMBER 30, 2004 (In thousands)

	Corps of Engineers	Southeastern Power Administration	Total
OPERATING REVENUES:			
Sales of electric power	\$ 166,606	\$ 50,590	\$ 217,196
Other operating income	<u>6,940</u>	<u>3</u>	<u>6,943</u>
Total operating revenues	<u>173,546</u>	<u>50,593</u>	<u>224,139</u>
OPERATING EXPENSES:			
Operations	37,046	4,840	41,886
Maintenance	26,629	46	26,675
Transmission services charged by others	-	31,835	31,835
Purchased power	-	13,340	13,340
Pension and related expenses	<u>3,502</u>	<u>337</u>	<u>3,839</u>
Total operating expenses—excluding depreciation	67,177	50,398	117,575
Depreciation	<u>42,503</u>	<u>154</u>	<u>42,657</u>
Total operating expenses	<u>109,680</u>	<u>50,552</u>	<u>160,232</u>
Net operating revenues	<u>63,866</u>	<u>41</u>	<u>63,907</u>
INTEREST EXPENSE:			
Interest on federal investment	66,704	41	66,745
Less interest charged to construction	<u>(5,478)</u>	<u>-</u>	<u>(5,478)</u>
Net interest expense	<u>61,226</u>	<u>41</u>	<u>61,267</u>
Net revenues	<u>2,640</u>	<u>-</u>	<u>2,640</u>
ACCUMULATED NET REVENUES:			
Balance—beginning of year	<u>27,956</u>	<u>-</u>	<u>27,956</u>
Balance—end of year	<u>\$ 30,596</u>	<u>\$ -</u>	<u>\$ 30,596</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINING REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION YEAR ENDED SEPTEMBER 30, 2003 (In thousands)

	Corps of Engineers	Southeastern Power Administration	Total
OPERATING REVENUES:			
Sales of electric power	\$ 150,102	\$ 46,577	\$ 196,679
Other operating income	16,048	2	16,050
Total operating revenues	<u>166,150</u>	<u>46,579</u>	<u>212,729</u>
OPERATING EXPENSES:			
Operations	37,309	4,735	42,044
Maintenance	25,164	72	25,236
Transmission services charged by others	-	32,620	32,620
Purchased power	-	8,634	8,634
Pension and related expenses	3,289	328	3,617
Total operating expenses—excluding depreciation	65,762	46,389	112,151
Depreciation	32,234	143	32,377
Total operating expenses	<u>97,996</u>	<u>46,532</u>	<u>144,528</u>
Net operating revenues	<u>68,154</u>	<u>47</u>	<u>68,201</u>
INTEREST EXPENSE:			
Interest on federal investment	65,993	47	66,040
Less interest charged to construction	(5,767)	-	(5,767)
Net interest expense	<u>60,226</u>	<u>47</u>	<u>60,273</u>
Net revenues	<u>7,928</u>	<u>-</u>	<u>7,928</u>
ACCUMULATED NET REVENUES:			
Balance—beginning of year	20,028	-	20,028
Balance—end of year	<u>\$ 27,956</u>	<u>\$ -</u>	<u>\$ 27,956</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINING CASH FLOWS INFORMATION YEAR ENDED SEPTEMBER 30, 2004 (In thousands)

	Corps of Engineers	Southeastern Power Administration	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net revenues	\$ 2,640	\$ -	\$ 2,640
Adjustments to reconcile net revenues to net cash provided by operating activities:			
Depreciation	42,503	154	42,657
Net interest on federal investment	61,226	41	61,267
(Increase) decrease in assets:			
Accounts receivable	(787)	(2,792)	(3,579)
Other assets	89	-	89
Deferred workers' compensation	(2,914)	-	(2,914)
(Decrease) increase in liabilities:			
Accounts payable	2,525	(275)	2,250
Accrued liabilities	-	5	5
Accrued workers' compensation	2,914	-	2,914
Net cash provided by (used in) operating activities	<u>108,196</u>	<u>(2,867)</u>	<u>105,329</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash used in investing activities—investment in utility plant	<u>(44,596)</u>	<u>(89)</u>	<u>(44,685)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Congressional appropriations	101,877	7,502	109,379
Transfers from other federal agencies	9,197	(6,495)	2,702
Funds returned to U.S. Treasury	<u>(174,456)</u>	<u>1,782</u>	<u>(172,674)</u>
Net cash (used in) provided by financing activities	<u>(63,382)</u>	<u>2,789</u>	<u>(60,593)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>218</b>	<b>(167)</b>	<b>51</b>
<b>CASH—Beginning of year</b>	<u><b>22,559</b></u>	<u><b>3,464</b></u>	<u><b>26,023</b></u>
<b>CASH—End of year</b>	<u><b>\$ 22,777</b></u>	<u><b>\$ 3,297</b></u>	<u><b>\$ 26,074</b></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Interest charged to construction	<u>\$ 5,478</u>	<u>\$ -</u>	<u>\$ 5,478</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINING CASH FLOWS INFORMATION YEAR ENDED SEPTEMBER 30, 2003 (In thousands)

	Corps of Engineers	Southeastern Power Administration	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net revenues	\$ 7,928	\$ -	\$ 7,928
Adjustments to reconcile net revenues to net cash provided by operating activities:			
Depreciation	32,234	143	32,377
Net interest on federal investment	60,226	47	60,273
(Increase) decrease in assets:			
Accounts receivable	1,545	(2,088)	(543)
Other assets	10		10
Deferred workers' compensation	(9,362)		(9,362)
(Decrease) increase in liabilities:			
Accounts payable	(6,659)	(3,298)	(9,957)
Accrued liabilities		(13)	(13)
Accrued workers' compensation	<u>9,362</u>		<u>9,362</u>
Net cash provided by (used in) operating activities	<u>95,284</u>	<u>(5,209)</u>	<u>90,075</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash used in investing activities—investment in utility plant	<u>(55,655)</u>	<u>(9)</u>	<u>(55,664)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Congressional appropriations	112,986	4,505	117,491
Transfers from other federal agencies	2,680	328	3,008
Funds returned to U.S. Treasury	<u>(164,018)</u>	<u>(3,236)</u>	<u>(167,254)</u>
Net cash (used in) provided by financing activities	<u>(48,352)</u>	<u>1,597</u>	<u>(46,755)</u>
<b>NET DECREASE IN CASH</b>	<b>(8,723)</b>	<b>(3,621)</b>	<b>(12,344)</b>
<b>CASH—Beginning of year</b>	<b><u>31,282</u></b>	<b><u>7,085</u></b>	<b><u>38,367</u></b>
<b>CASH—End of year</b>	<b><u>\$ 22,559</u></b>	<b><u>\$ 3,464</u></b>	<b><u>\$ 26,023</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Interest charged to construction	<u>\$ 5,767</u>	<u>\$ -</u>	<u>\$ 5,767</u>

See accompanying independent auditors' report.

SOUTHEASTERN FEDERAL POWER PROGRAM

AMOUNT AND ALLOCATION OF PLANT INVESTMENT (UNAUDITED)  
SEPTEMBER 30, 2004

Projects in Service & Other	Total	Reimbursable		Allocated to		Percent of Total	
		Power	Navigation	Flood Control	Nonreimbursable Fish & Wildlife	Recreation	Other
Alabama	\$ 58,900	\$ 40,285	\$ 2,079	\$ 9,019.00		\$ 9,365	\$ 232 (a)
Buford	95,079	74,864		4,605		13,533	
Carters	158,509	136,393		13,942		8,174	
J. Strom Thurmond	163,430	144,649		4,157		10,102	
Walter F. George	228,542	137,072			348	9,042	
Hartwell	179,951	163,874		4,532		7,962	
Robert F. Henry	101,824	65,020				12,732	
Miller's Ferry	92,644	54,613				5,139	
West Point	158,592	65,216		20,965	14,870	54,921	
Richard B. Russell	749,758	679,203		4,549		66,006	
Marketing facilities	909						
Contributions in aid of construction	(4)	(4)					
Total GA-ALA-SC System	1,988,134	1,562,094	151,848	61,769	15,218	196,976	232
Jim Woodruff	101,150	62,658	31,863			6,629	
Marketing facilities	29						
Total Jim Woodruff System	101,179	62,687	31,863			6,629	
Barkley	198,466	49,935	116,350	23,059		9,122	
J. Percy Priest	67,899	11,607		25,797		30,496	
Cheatham	52,045	21,477	25,781			4,788	
Cordell Hull	90,819	42,579	17,517			24,291	6,431 (c)
Old Hickory	73,934	41,051	27,299			5,584	
Center Hill	80,551	39,066		29,292		11,497	696 (b)
Dale Hollow	35,598	20,407		11,070		4,121	246 (b)
Wolf Creek	222,918	131,407		83,266		7,999	6,338 (c)
Laurel	51,320	27,419				17,563	
Stonewall Jackson	211,105	773		35,846		174,485	
Marketing facilities	349						
Contributions in aid of construction	(586)	(586)					
Total Cumberland Basin System	1,084,418	385,484	186,947	208,330		289,946	13,711
John H. Kerr	139,176	108,550		24,705		5,559	362 (a)
Philpott	20,160	8,862		8,254		3,044	
Marketing facilities	176						
Total Kerr-Philpott System	159,512	117,588		32,959		8,603	362
Total	\$3,333,243	\$2,127,853	\$370,658	\$303,058	\$15,218	\$502,154	\$14,305

(a) Water Supply.

(b) World War II Suspension Costs.

(c) Area Redevelopment.